

Friday July 21

pin bourse

Weekend FT



The Old Lady  
On a new  
battlefield



The plot to  
kill Hitler,  
50 years on



Close-up shots  
of the Paris  
catalysts



Rwanda's not  
What can and must  
be done in Africa

# FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND JULY 23/24 1994

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## Fears raised of illegal trade in nuclear material

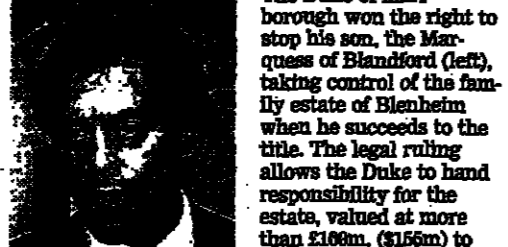
The discovery in Germany of weapons-grade plutonium, believed to have been smuggled in from Russia, has increased fears of a potentially dangerous proliferation of nuclear material from the former Soviet republics. Bernd Schmidbauer, an aide to German Chancellor Helmut Kohl, described the discovery, the first time such material has been found in the west, as "dramatic". A leading US nuclear proliferation expert, Dr William Potter, warned that the find could be just the "tip of the iceberg" involving a growing business in illegally traded Soviet nuclear material. Page 22

Glaxo Shares in Europe's biggest drugs company fell 14p to 574p following news of a patent action and counter-suit over US sales of its ulcer treatment, Zantac, which is the world's biggest selling drug. Page 8

Simpson denies murder Former American Football star O. J. Simpson pleaded not guilty to charges that he murdered his ex-wife and a male friend of hers when he appeared in court in Los Angeles.

Menarini, Italy's largest domestic drugs group, said it was transferring all manufacturing from Italy to Germany, revealing the move in full-page advertisements in the Italian press. Page 22

Control of Blenheim to pass to trust



The Duke of Marlborough won the right to stop his son, the Marquess of Blandford (left), taking control of the family estate of Blenheim when he succeeds to the title. The legal ruling allows the Duke to hand responsibility for the estate, valued at more than £100m, (£150m) to trustees. A statement said the aim of the legal action was not to disinherit Lord Blandford, who has been jailed for drug offences, but rather to protect the estate.

Clinton denies retreat on healthcare President Bill Clinton and Democratic party leaders agreed on a new strategy for the US healthcare reform bill that the president insisted, world still meet his basic goals, including universal medical insurance cover. Page 3

Apple Computer reported higher-than-expected third-quarter earnings, up 16 per cent on a year ago at \$1.15bn, as sales of its new Power Macintosh products advanced strongly. Page 9

Boost for 'neglected' students: Gillian Shephard, new UK education secretary, is to launch a drive to improve academic and vocational training for students aged 16 years and over, a group she feels has been "traditionally neglected". Page 4

Mercedes-Benz is planning a shake-up of its loss-making European bus operations, involving job cuts and the merger of its interests into an independent business unit. Page 9

Murayama to visit S Korea: Tomichi Murayama, Japan's left-wing prime minister, will today visit Seoul to reassure South Korea that it can still count on his country's support. Page 3

Italy clears budget hurdle: The Berlusconi government resolved one of the main issues holding up plans to find fresh revenues for the 1995 Italian budget - a pardon for buildings constructed without proper planning permission. Page 2

UK building costs to rise: Prices quoted by UK building groups bidding for contracts are forecast to rise by up to 10 per cent over the next year as they seek to recover profit margins and pass on increased material and labour costs. Page 5

Tobacco challenges US tobacco manufacturers have won a court case allowing them to challenge a federal government claim that passive smoking - the inhalation of other people's cigarette smoke - can kill. Page 3

Westinghouse Electric, struggling US conglomerate, reported a fall in net income, to \$78m from \$84m, for the second quarter. Revenues were down from \$2.15bn to \$2.11bn.

Amazon surveillance: A consortium led by US electronics company and defence manufacturer Raytheon has won a \$1.1bn contract to build a technological surveillance system in the Amazon rain forest. The system will aid environmental research and help combat drug trafficking. Page 3

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## Heat wave revives Japanese consumer spending

By Gerard Baker in Tokyo

Across Japan, Asahi breweries have moved to 24-hour shifts. Sales of swimsuits at Tokyo's main department stores are up by 50 per cent on a year ago. In the capital's electrical goods district, Akihabara, Tokyo residents are buying air conditioners faster than shopowners can stock them.

The heat wave could not have come at a better time for Japan's economy. Just as the rising yen looked as if it might choke off the recovery, soaring temperatures have come to the rescue.

"Everything's selling," says Toshiba, the electrical goods group. "From our

latest high-tech orange-crusher to the home-made yogurt maker - all thanks to the weather. People have even got a name for it - the divine wind."

Average daily temperatures were 3.6°Celsius higher than normal in the first 20 days of July. Last week in Kyushu, the temperature hit 38.6°C, the highest since 1979. Since last summer was a cool, damp squib, this year's heat prefigures a strong recovery in personal consumption.

A summer-long increase of 2.4°C in the average daily temperature raises consumption by ¥500bn (\$5bn), or 0.7 per cent, according to the Yamaguchi Research Institute. Applying the equa-

tion to current conditions suggests a boost to spending this year of 0.3 per cent. Tax cuts - which come into effect this month - are also lifting demand.

Sales of beer have soared along with the mercury. Every 1°C increase in temperature pushes up daily beer consumption by about 900,000 bottles, or 0.3 per cent, according to one brewer. Asahi, the country's second largest brewer, said a 50 per cent increase in sales had forced it to move to around-the-clock production at six of its eight breweries.

Less intoxicating means of staying cool are also enjoying a bumper season. Best Denki, the largest mass retailer of consumer electronics, said sales of air

conditioners were at record levels. On the hottest day so far, July 3, it sold eight times as many as a year previously. Toshiba reported air conditioner sales up 315 per cent.

Department stores, hammered by 22 consecutive months of falling sales, sense revival with the soaring temperatures. Sales of swimsuits, hats and other hot-weather attire are up by 30 to 60 per cent at the Takashimaya chain.

The warm weather has also come just at the right time for the country's rice crop, according to a survey published yesterday. Bumper crops are expected for the first time for four years - 10 per cent higher than average. The hot, dry

weather is not producing undiluted good news, however. Some parts of the country are experiencing severe water shortages. The two southwestern islands of Kyushu and Shikoku have seen little rain since the spring. In Takamatsu, on Shikoku, water supply has been cut to five hours a day, and some factories have been forced to close.

But even this has beneficial economic side-effects. Sales of bottled water have soared, and the best-selling new product at the Saito department store is a shampoo that requires no water to rinse.

French racial violence returns, Page 3  
Seeking to ally Seoul's fears, Page 3

## Clarke welcomes output figures as GDP rises to its highest level since 1989

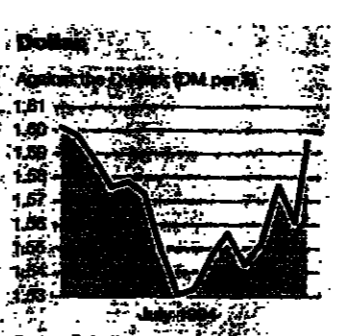
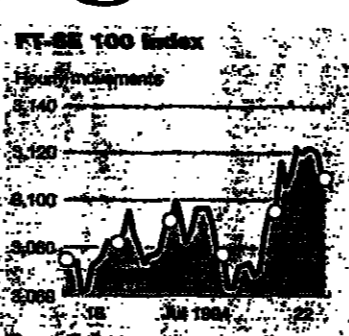
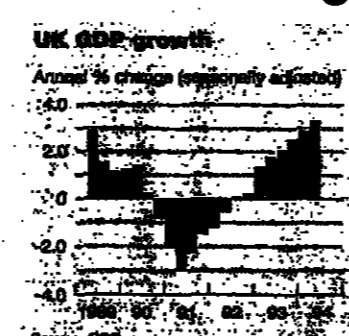
## UK recovery gains momentum

By Gillian Tett, Economics Staff

The strength of Britain's economic recovery increased in the second quarter of the year, in spite of April's tax rises, as total output rose above levels seen before the recent recession.

With the manufacturing sector playing a key role in the growth, the data suggested that the UK economic recovery is becoming increasingly broad based.

Gross domestic product grew by a seasonally adjusted 0.3 per cent in the three months to June, compared with the previous three months, the Central Statistical Office said.



Compared with the same period a year ago, second quarter output was 3.5 per cent higher. This was the fastest level of growth for more than five years and suggests that the Treasury's forecast for 2.75 per cent GDP growth this year will be comfortably reached.

Mr Kenneth Clarke, UK chancellor, welcomed the figures as "the sort of recovery we want to see", not least because inflation was running at relatively low levels, and unemployment falling.

"I intend to make sure we turn this favourable combination not into a boom which goes bust, but into an upswing which lasts for many years," he added.

The output figures benefited from a strong performance from North Sea oil and gas, which accounted for nearly a fifth of the overall annual GDP growth. Measured without the erratic oil and gas sector, output rose 0.8 per cent in the three months to June.

Comments by senior US financial officials yesterday helped the dollar rise to its highest level in nearly three weeks, writes Philip Gawth.

Mr Alan Greenspan, chairman of the US Federal Reserve, restated his view that a strong dollar was in the interests of the US economy. His remarks followed an earlier statement from Mr Lloyd Bentsen, US treasury secretary, that he believed "very strongly" in a strong dollar.

The US currency closed in London at DM1.5585, nearly two pips higher on its Thursday close of DM1.576, but off a high for the day of DM1.6026.

It was only modestly up against the yen, finishing at ¥99.72 from ¥98.68. Dealers say the unworried US dollar trade dispute, and Japan's large current account surplus, are impediments to further strengthening the dollar.

The week has been character-

ised by the concerted efforts of US officials to persuade financial markets that they want a firmer dollar. The belief that the Clinton administration was, at best, indifferent to the fate of the currency was one factor accounting for its recent weakness.

Analysts are reluctant to predict that the dollar's recovery will continue. Most argue that action, in the form of higher interest rates, is also needed.

Currencies, Page 11

port, storage and telecommunications sectors also saw strong growth, the CSO said. The retail, hotel and catering sector - the only sector where firm data is available - grew 0.6 per cent, quarter on quarter.

The personal services sector, which includes businesses like hairdressing, however, continues to look weak, the CSO said.



Kenneth Clarke: he welcomed the figures as 'the sort of recovery we want to see'

## US launches massive aid operation for Rwanda refugees

By Jeremy Kahn in Washington

President Bill Clinton yesterday announced that the US was mounting "an immediate and massive effort" to help end the refugee crisis in Rwanda.

The US was finalising plans to establish a military base of operations in Entebbe, Uganda, which would serve as the central co-ordinating and staging area for a round-the-clock airlift of medical supplies and humanitarian aid, Mr Clinton said.

US military forces would also work to modify two existing airstrips in Zaire, at Goma and Bukavu, to accommodate flights of relief supplies.

Mr Clinton said the US relief operation had two goals: to alleviate the Rwandan refugees' suffering as soon as possible, and then to secure conditions to enable them to return to Rwanda.

Between 1m and 2m refugees, mostly members of the Hutu tribe, have fled to Zaire in the last week to escape the advancing Rwanda Patriotic Front, dominated by Tutsis. The RPF has just taken power in Rwanda after months of civil war in which the Hutu government slaughtered thousands of Tutsis.

The US army will move immediately to secure a safe water supply for more than 1m refugees living in the camp at Goma.

## Mercury loses court battle to change BT's charging regime

By Andrew Adams

Mercury, the largest competitor to British Telecommunications, yesterday lost its legal battle with the industry watchdog Ofcom, to force through a more favourable regulatory regime.

In a ruling with implications for the wider system of utility regulation, the Court of Appeal dismissed Mercury's case without even hearing the substantive points at issue.

By a 2:1 majority, the court supported Ofcom's claim that it was not appropriate for it to enter into the dispute between the regulator and Mercury over the regime under which BT charges competitors for the use of its network.

However, Mercury was given leave to appeal to the House of

Lords, and there were strong indications yesterday that it would do so.

Mercury had sought a declaratory ruling from the court on the interpretation of BT's licence in order to pre-empt a decision on the issue by Mr Don Cruickshank, Ofcom's director-general.

Mercury's aim was to change the basis on which it pays for use of BT's network from a per-minute system to a peak-capacity system more favourable to competitors.

It was the first time a competitor to one of the privatised utilities had sought to use the courts to influence the regulatory process. Lord Justice Dillon, siding with Ofcom, said the issue was "firmly entrusted" to Mr Cruickshank and not a matter for the courts to decide.

Ms Maev Sullivan, Mercury's director of strategy, said: "The real issue - the price competitors must pay to deliver their calls to BT's customers - has yet to be tested by the courts."

Ofcom welcomed the judgment, and said it remained "fully confident" that it had discretion to interpret BT's licence without

Continued on Page 22  
MPs plans for BT, Page 5

STOCK MARKET INDICES		
FT-SE 100: 3,114.7 (+19.8)	US DOLLAR INDEX: 100.00 (+0.15)	STERLING: 1.5585 (+0.0026)
Yield: 4.01	Federal Funds: 4.75%	New York lunchtime: 1.5585
FT-SE 100: 1,387.4 (+15.89)	3-mo Treasury Bill: 4.48%	London: 1.5576
FT-SE-A All-Share: 1,595.83 (+0.79%)	Long Bond: 7.85%	London: 1.5576
Nikkei: 20,482.89 (+180.03)	Yield: 7.85%	London: 1.5576
New York lunchtime: 1,5585 (+0.15)		
Dow Jones Ind Ave: 4,422.48 (+0.13)		
S&P Composite: 4,422.48 (+0.13)		
LONDON MONEY		
3-mo Interbank: 5.25% (Same)		
Life long gilt: 5.25% (Same)		
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### Investing in Japan

### Profit from the experience

There's no question about the current potential of the Japanese stockmarket. Interest rates are at record lows and could decline still further. And falling corporate profits are generally suppressing share prices, creating a wealth of attractive investment opportunities.

However, in such conditions, the ability to identify the correct stocks is all the more important.

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## NEWS: INTERNATIONAL

Legislation to deregulate Italy's labour market allows for temporary jobs

## Rome budget revenue hurdle overcome

By Robert Graham in Rome

The Berlusconi government yesterday resolved one of the main issues holding up plans to find fresh revenues for the 1995 budget - a pardon for buildings constructed without proper planning permission.

At the same time the government has unveiled legislation for deregulating Italy's rigid labour market that introduces for the first time the principle of temporary jobs.

The cabinet failed to agree on the scope of the pardon on

Thursday night because of objections from the Northern League that it would afford a blanket amnesty to many kinds of illicit construction and property speculation. As a result the matter was pushed on the agenda of yesterday's cabinet session.

The pardon, which will allow the proper registration of buildings and conversions, is expected to raise L.5,400bn (€2.3bn) by the end of 1995. A further L.12,000bn is expected to go to the city and municipal administrations concerned. It

is estimated that up to 3m families could be affected: but in the previous such pardon in the mid-1980s, less than 10 per cent of the 8m requests were able to complete the required procedures.

The measure runs alongside an amnesty on a back-log of 3.2m tax assessment cases expected to generate most of the L.15,000bn in new revenues for the 1995 budget. The cabinet confirmed it would aim to cut the 1994 budget deficit of L.154,000bn to L.138,600bn next year.

The cabinet also confirmed that key decisions on spending cuts in pensions would not be taken until after the summer recess. Confindustria, the industrialists' confederation, while applauding the government's commitment to reducing the public sector deficit expressed disappointment at the postponement.

Confindustria also voiced reservations about the scope of measures approved to regulate the labour market. The measures introduce the principle of temporary employment and

apprentice wages at below minimum rates. But since they were first discussed a month ago with the unions, they have been considerably modified.

The unions have managed to prevent a free hire and fire policy. Instead, temporary employment will be circumscribed by strict rules. For instance, employers can only resort to temporary employment where jobs are being added to a company payroll - not in substitution for existing jobs or where jobs have been shed. There are also limits on

the number of temporary employees per company - 10 per cent of the workforce in companies with up to 500 employees - as well as a maximum time span of 12 months.

The government believes up to 200,000 jobs can be created through the new legislation. The unions are more sceptical. Much depends on how additional incentives for job hiring in southern Italy, the worst area for joblessness, are applied. The draft law now goes to parliament and could be altered substantially there.

## US and Russia disagree on Serbs

Mr William Perry, US defence secretary, yesterday disputed Russia's view that the Bosnian Serbs had responded positively to the international peace plan for Bosnia. Reuters reports from Zagreb.

Russia indicated it believed the Serbs had not rejected the proposals for the division of Bosnia. However, Mr Perry said yesterday: "It was not an acceptance of the plan and that is what the contact group had asked for." Russian officials said the Serbs' demand for more talks was "rather positive" and "not devoid of logic".

"We considered it not a positive answer but a disappointing answer and it is going to greatly complicate the path ahead," Mr Perry said yesterday after talks with Nato and UN peacekeeping commanders on military steps to impose the plan.

A "contact group" comprising the US, France, Britain, Germany and Russia has drafted a plan to split Bosnia almost evenly between the Serbs and a Muslim-Croat alliance.

"We would hope, sincerely hope, that between now and the July 30 meeting [of contact group foreign ministers] that the Bosnian Serbs will reconsider their answer and give them something more positive to work on at that meeting."

Bosnian Prime Minister Haris Silajdzic said the time for talks was over now that the Serbs had rejected the plan. Asked if there was any way his side would negotiate with the Serbs over borders, Mr Silajdzic said: "The answer is no."

Mr Perry was completing a week-long trip through south-eastern Europe to assess military options in Bosnia after the Serb response.

"It was very important for me to get an assessment from them on the alternatives available at this stage... And it's important to understand the implications of going down one road or going down the other," Mr Perry said.

The group evaluated steps both in case of "the optimistic outcome" in which the Bosnian Serbs embraced the plan as is, and the alternative of a "negative reaction - the peace plan not being implemented" by Serbs, he said.

The Serbs did not reject the plan outright but attached conditions which would require substantial renegotiations. The Muslims and Croats have accepted but refuse any further bargaining.

Mr Perry's talks centred on a possible increase in international military pressure on Serbs to accept the peace plan and how to implement any final peace.

The contact group has warned Serbs that international sanctions could be tightened against Serbia and the use of allied air power increased.

## González tries to revive party's hopes

Will it be too little, too late for Spain's ruling Socialists? Tom Burns reports

Mr Felipe González, leader of Spain's ruling Socialists, yesterday set about reviving his party's political fortunes and to reinforce the moderate wing as the dominant force in Spanish politics.

Mr González, Socialist leader for almost 20 years and prime minister for nearly 12, opened a gathering of party leaders to address the state of corruption scandals, the deep economic recession and the bitter divisions within the leadership that together led to a humiliating defeat for the party in last month's European parliament elections.

The prime minister will tell his federal committee that despite the government's dwindling credibility, he intends to stick to his current policies of economic stringency and to serve out his full term until 1997.

He will also continue to seek the support of the Catalan nationalists, whose votes in parliament ensure an outright majority for Mr González.

While there is optimism, mainly among the moderates, that Mr González can revive the party's standing, some believe he is doing too little too late.

Mr Joaquín Almunia, the party's parliamentary spokesman, said the meeting of the Socialists' 212-strong federal committee would round off a slow process of renewal that began when Mr González narrowly won a fourth term in general elections a year ago. This was reinforced in March, said Mr Almunia, when the moderates emerged as a clear majority at the party's first national congress since 1990.

Mr Carlos Solchaga, economy minister between 1985 and 1993, said: "I think Mr González should change the government but it is difficult to see how he can do that." Mr Solchaga resigned as parliamentary spokesman in May when the former governor of the bank of Spain, whom he had appointed, admitted tax evasion.

The prime minister's unwavering stand on economic policy is a victory

for the party's moderates, the so-called renewal faction of moderates, of which Mr Almunia is the party's chief proponent, and a defeat for the left of the party grouped around its long-time deputy leader, Mr Alfonso Guerra. Mr Guerra was deputy prime minister between 1982 and 1991.

Sticking to current policies means restrictive budgets to reduce the deficit, instead of sustained public spending as the left would like. Counting the Catalans, who are politically on the centre-right and embrace the free market, means rejecting the Communist party-led United Left, who are viewed by the



A protester demands "water, solidarity and justice" as he stands in a Madrid fountain yesterday. Thousands of farmers were demonstrating in favour of transfer of water to drought-stricken regions.

Guerristas" as the natural allies of the Socialist party.

"The March congress made it clear that González would adopt our ideas," said Mr Almunia. "But renewal got held up by the corruption scandals, by regional party congresses, where the Guerristas tried to fight back, and by the European elections."

Two meetings this month, chaired by Mr González, of the party's 36-member executive committee set the stage for the effective takeover of the renewal faction of modernisers at yesterday's widened gathering of the Socialist leadership.

Mr Almunia and his friends will formally take over key positions in the party hierarchy and, crucially, the renewal wing will wrest control from the Guerristas on the committee that vets the party's electoral candidates.

In the post-mortem delivered to the executive committee on the European elections, Mr González concluded that more damage had been done to the party by its erstwhile centrist supporters who had abstained or voted conservative, than by those who had evicted their vote to the United Left ticket.

The message is to win back the centre vote as the economy recovers with a mix of social democracy and market-oriented orthodoxy. Some doubt this is possible, arguing that Mr González has still to deal firmly with the left in his party.

"When you have retreated back through the credibility threshold, and we have unfortunately done so, it is difficult to walk through it again and restore confidence," said Mr Solchaga. "There is a lot of 'Guerrismo' that has to be brushed away."

Another party member, within the renewal faction, put it more bluntly: "What is important is to get the Guerristas out before we lose the next elections, as we assuredly will. That way they won't be around to take control of the party when we're out of power."

## Ukraine decree to crack down on crime

By Jill Barshay in Kiev

Mr Leonid Kuchma, the new Ukrainian president, signed a tough anti-crime decree as his first act in office, local newspapers reported yesterday.

Mr Kuchma's decree, signed on Thursday, was nearly identical to Russian President Boris Yeltsin's anti-crime decree last month. In Russia, the decree has raised concerns that new democratic freedoms are threatened, and that the decree could usher in a return of the old totalitarian, KGB-controlled state.

Mr Kuchma, who promised to crack down on government and business crime in his election campaign, said the broad expansion of police powers was necessary to "strengthen law and order in connection with the extraordinary, complicated criminal situation".

The Ukrainian decree permits police to hold suspected criminals for up to 30 days. Hotels, dormitories and other places where the government believes criminals gather may be raided without search warrants. Police and Security Service agents are granted the right to seize commercial documents from private companies. Half of the proceeds of

raids on illegally-obtained property would go into law enforcement budgets.

Crime has risen sharply in Ukraine in recent years. In the first six months of 1994 alone, authorities say there have been 1,500 murders and 1,068 drug raids yielding about 11 tonnes of narcotics.

A US FBI official, in Kiev earlier this month, voiced concern that Ukraine was becoming a transit zone from Asia to western Europe in the international drugs trade. He noted that Russian criminal groups exerted a strong influence in Ukraine and often colluded with smaller Ukrainian rackets where profits were to be made.

For Mr Kuchma, the decree serves to launch his presidency on a strong note and to make good on his popular anti-corruption campaign promise.

In a further anti-crime move Mr Kuchma replaced the head of the Ministry of Internal Affairs with a 46-year-old organised crime and corruption specialist who has 22 years of experience in the Soviet KGB. Observers are asking if this is an indirect attempt to merge the police and security ministries into a single, powerful authority, as Mr Yeltsin unsuccessfully tried to accomplish in Russia.

## Latvia relents over curbs on citizenship

By Leyla Boulton in Moscow

Latvia, the Baltic republic, yesterday bowed to international pressure to give up controversial quotas making it impossible for many of its non-Latvian residents to gain citizenship of the newly-independent country.

Latvia's Russian-speaking population increased sharply after the republic was annexed by Stalin in 1940. Last month, the government introduced draconian quotas for the naturalisation of non-Latvians born outside Latvia, in a long-delayed citizenship law.

The aim was to stop Latvians being outnumbered or threatened by non-Latvians, who today make up just under half of the population, as opposed to a quarter before the annexation.

But international organisations such as the Council of Europe, which Latvia wants to join as soon as possible, said Latvia had more democratic means at its disposal to protect its national identity and security.

Following the Latvian president's request, parliament amended the citizenship law, a new version passed yesterday is now likely to satisfy Latvia's critics in the west.

The law still requires that citizens know Latvian (a language which many Soviet-era immigrants never learned). But instead of imposing quotas on a whole category of the population, the law seeks to prevent "disloyal" individuals becoming citizens by banning the naturalisation of any residents previously involved with specific organisations hostile to Latvia's drive for independence. These include such organisations as the Union of Veterans of the Armed Forces of the USSR, as well as Communist groups or repressive bodies such as the KGB.

It also for the first time introduces a one-year deadline for Latvian officials, who have often been accused of arbitrariness and foot-dragging in the past, to process naturalisation applications.

The new law is likely not only to speed Latvia's reintegration with the west, but to improve relations with Russia, which is due to complete a withdrawal of its troops from Latvia by the end of August. Possibly in response to domestic accusations that it was too "soft" on Latvia, Russia has suspended troop withdrawals from Estonia until the rights of the Russian-speaking minority there are assured.

## Fears of summer violence in Paris

Hot weather brings threat of revived racial attacks, writes Alice Rawsthorn

The insubstantial suburbs of France's cities have long been prey to racial violence but last week's tragedy at Dreux, one of the poorest outer suburbs of Paris, sent shock waves around the country. Five armed youths drove into a ghetto area and fired indiscriminately at a group of North Africans, injuring 10 of them.

Dreux is already notorious for its high crime rate and social problems. Yet last week's violence, which ended with one of the armed youths being shot dead by the police, has fuelled fears that France is set for another summer of discontent in *les zups*, its deprived suburban ghettos.

"The Dreux incident may just be the beginning," says his Sophie Body-Gendrot, professor of political science at the

Sorbonne in Paris and an expert on urban problems. "The situation in some urban areas is now at breaking point."

Fresh violence would be a setback for the authorities, who have in recent years made progress in reducing unrest in *les zups*.

Summers have traditionally been difficult periods for France's deprived urban areas.

"It's the time of year when tension tends to be at its highest," says Mr Henri Rey, a research fellow specialising in urban issues at L'Institut d'Etudes Politiques in Paris. "It's so hot, particularly in southern cities like Marseille, that people open their windows at night so they're left fully exposed to the noise and promiscuity of living in cramped conditions."

The worst summer in recent

times was in 1981, when Les Minguettes, one of the most depressed suburbs of Lyons, erupted in a vicious race riot that triggered riots in other cities, notably Paris and Marseille.

Successive governments and local authorities across France have since made heavy investments in trying to improve conditions.

Some of the old buildings, many flung up in the early 1960s to house North African immigrants entering France from its old colonies in large numbers, have since been renovated or replaced. There have also been efforts to create youth projects such as training centres and special summer initiatives such as extra sports facilities and seaside trips to keep poten-

tial troublemakers off the streets.

"These initiatives have had a positive effect," says Mr Rey. "There's still appalling poverty and violence in *les zups*. But the situation has improved since the early 1980s. People then thought that the French ghettos would eventually become as bad as those of the United States. That hasn't happened and there seems to have been less violence in recent years."

However there is now concern that racial tension is rising again. The French recession has made life even more difficult in *les zups*, particularly for young people. The overall level of unemployment in Dreux is estimated at 15 per cent (against a national average of 12.7 per cent), but youth workers estimate that it is as

high as 70 per cent for school-leavers.

Further, the pressure on government budgets has forced the Balladur administration to cut public expenditure in many areas, including urban programmes. Local finances are also under strain as many authorities struggle to repay the debts amassed in the 1980s.

As a result there is less money available for urban renewal initiatives and youth summer schemes. "It's impossible to assess the precise impact of the cuts, but conditions in some areas have deteriorated and one gets the impression that there's less for the kids to do this summer," says Ms Body-Gendrot. "Is that likely to undo some of the progress of recent years and to lead to more violence? Yes, I'm very much afraid that it will."

## INTERNATIONAL NEWS DIGEST

## Yeltsin makes concessions on privatisation

President Boris Yeltsin yesterday signed a decree ordering the continuation of Russia's privatisation programme but made unspecified concessions to deputies who had blocked the plans. The decree clears the way for a new stage of privatisation in which companies will be auctioned for cash following the completion of the sale of up to 70 per cent of manufacturing industry for vouchers distributed free to every Russian citizen. But Mr Vyacheslav Kostikov, the president's spokesman, said the decree, necessitated by parliament's failure to adopt the second stage of privatisation as ordinary legislation, took into account some of the deputies' objections. Although he gave no details, the changes are likely to give more leeway to local authorities and company employees in deciding how companies are privatised. The decree is also likely to drop proposals for the privatisation of land. After outright rejection of the plan for "post-voucher" privatisation at the start of this month, parliament this week failed to muster a quorum in support of the compromise version because many deputies had already gone on holiday. *Leyla Boulton, Moscow*

## Vote on German troops

The German parliament voted yesterday to allow German troops to fight outside the Nato region, by 424 votes to 48. The decision, which was necessary to ratify the constitutional court ruling on German troops' role in the former Yugoslavia, was opposed by the Greens and former Communists. Mr Rudolf Scharping, of the opposition Social Democratic party, warned that Germany should not always fight when called on by its allies, and that German development programmes should not be replaced by overseas military action. Defence Minister Mr Volker Rühe said the high court decision "isn't a marching order" and denied that it would lead to Germany sending troops to every trouble spot. Mr Klaus Kinkel, foreign minister and leader of the Free Democratic party, accused the SPD of retreating into a false pacifism. "The lesson to be drawn from the Nazi era is that violence can often only be defeated by counter-violence," Mr Kinkel said. *AP, Bonn*

## Seoul watches Hyundai strike

The South Korean government has decided not to intervene immediately in a strike at Hyundai Heavy Industries' shipyard, which has emerged as the country's biggest industrial dispute this year. The month-long strike at HH, which has resulted in sales losses of \$240m (£155m), stands in sharp contrast to the rapid settlement of other industrial disputes this year as labour militancy wanes in South Korea. The HH workers are demanding a 12.6 per cent pay rise and an increase in other benefits, which would boost wage costs by \$1.3bn for its 22,000 employees, according to the company. HH workers are occupying shipyard facilities after the company announced a lock-out earlier this week. Officials say, however, that the government could order the ejection of the workers from the shipyard if the strike threatens to spread to other companies in the Hyundai group, Korea's largest industrial conglomerate. *John Burton, Seoul*

## Treuhand deal on Eko Stahl

The Treuhand privatisation agency yesterday agreed to provide a fresh financing package for Eko Stahl, eastern Germany's loss-making steel mill, until the end of the year. However Mr Wolf Schöde, spokesman for the agency, confirmed it was hoping to sell the mill in the autumn. After Riva, the privately-owned Italian steel manufacturer, pulled out of a contract to buy Eko Stahl in May, Mr Schöde said Eko Stahl would receive DM50m (£20.8m) to cover losses, adding that the European Commission had already been told and he was "not pessimistic" that the grant would be accepted by Brussels. The Commission last month started proceedings concerning the legality of state aid to Eko Stahl. *Judy Dempsey, Berlin*

## UN backs forces for Georgia

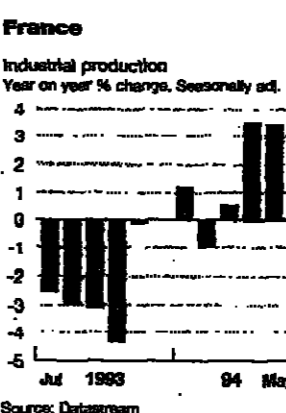
The UN Security Council has given its blessing to a controversial Russian peacekeeping force in Georgia on condition that UN military officers monitor the operation. This is aimed at enforcing a truce between the former Soviet republic and its dissident province of Abkhazia. The US, Britain and France joined Russia in sponsoring the UN resolution welcoming the intervention by 3,000 Russian troops. Its adoption was facilitated by a change of heart by Mr Edouard Shevardnadze, who now has asked for Moscow's help. Troops from other former Soviet republics may join the Russian operation. *Michael Littlejohns, New York*

## Stoppage hits France flights

Dozens of flights were cancelled and hundreds of passengers stranded at airports yesterday as air traffic controllers in the Aix-en-Provence region of southern France began a three-day strike. The stoppage, which comes on one of the busiest weekends of the year for air travel at the start of the summer holiday season, involves some 100 controllers at the airports in Marseilles, Nice, Montpellier and Corsica. The strike was called following a breakdown in talks over pay and working conditions. Only 100 flights left Nice out of the usual 250. Some 1,000 passengers were stranded in Corsica because of cancellations and delays. Flights to and from airports outside the region were also disrupted because the Aix-en-Provence controllers cover the busy routes from northern Europe to North Africa, Spain and the Balearic Islands. *Alice Rawsthorn, Paris*

## ECONOMIC WATCH

## French recovery accelerating



Source: Datastream

Further evidence emerged yesterday of an acceleration in France's economic recovery with a 3.2 per cent increase in manufacturing output in May compared with April and of a 23.1 per cent increase in the number of housing starts in the first half of 1994 against the same period of 1993. Mr Edmond Alphandery, economy minister, recently forecast 1 per cent growth for the second quarter of 1994, against 0.5 per cent for the first quarter, and predicted that France would achieve 2 per cent growth in 1994 rather than the original official forecast of 1.4 per cent. The 3.2 per cent increase in May's manufacturing output contributed to an overall 0.3 per cent rise in industrial production during the month, according to Insee, the state statistics institute. Meanwhile, the 23.1 per cent rise in first half housing starts, to a total of 153,600, according to the Housing Ministry, boded well for the construction and property sectors, both badly affected by the recession. *Alice Rawsthorn, Paris*

Germany recorded a current account deficit of DM6.1bn (€2.5bn) in May, wider than the revised surplus of DM6.7bn in April and DM5bn a year earlier. In the five months to May, the current account deficit was DM15.9bn, compared with DM14.2bn a year earlier, and a trade surplus of DM2.9bn (DM15.7bn). *AFX, Wiesbaden*

China's foreign exchange reserves rose by \$1.7bn in 1993 to \$21.2bn, the official China Daily reported. Reserve assets grew by \$1.7bn in 1993, the report said, citing figures from the State Administration of Exchange Control. *AP, Beijing*

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President denies new strategy on bill constitutes a retreat.

## Clinton team agrees stand on healthcare

By Jurek Martin in Washington

President Bill Clinton and Democratic party leaders yesterday agreed on a new strategy for the healthcare reform bill that would, the president insisted, still meet his basic goals, including universal medical insurance cover.

Only the most general outlines of the Democrats' thinking were immediately available. But Senator George Mitchell, the majority leader, said: "Our plans will be less bureaucratic, more voluntary and will be phased in over a longer period."

Mr Clinton argued that the new approach, outlined after a White House session on Thursday night, did not constitute a retreat as there was agreement on the overriding objectives. These he defined as universal cover, quality and choice of medical care, emphasis on preventative and primary treatment, and cost containment.

He did not mention the controversial issue of requiring employers to finance the lion's share of their workforces, but said he had long been flexible on the details.

With the stage now set for the climactic debate in Congress, "now is the time for

those with a better idea to come forward", he added.

Essentially, the president, Mr Mitchell, Congressman Tom Foley, Speaker of the House, and Richard Gephardt, its majority leader, were confronted with a legislative impasse.

None of the bills reported out by various congressional committees commands majority support, nor does the most alternative reform plan offered by the Republicans.

To deal with this, Mr Mitchell said he hoped to have a new draft bill ready to take to the floor of the Senate by the end of next week. It will seek to reconcile the large differences in bills already reported out by the Senate finance and health committees.

The House has scheduled a vote in the week beginning August 3, just before the summer recess.

Mr Clinton has been hinting at flexibility all week, if not all month. Having threatened to veto any bill that did not contain universal cover, he told state governors on Wednesday that 95 per cent coverage could be tantamount to universal cover. But on Thursday he took a tougher line and continued to insist that the only alternative to the so-called employer mandates was higher taxation.

## US court win for tobacco industry

By Richard Tomkins in New York

US tobacco manufacturers have won a court case allowing them to challenge a federal government claim that passive smoking - the inhalation of other people's cigarette smoke - can kill.

If the manufacturers' lawsuit succeeds, it will remove one of the most important foundations of the anti-smoking movement in the US. Public and private sectors alike have used the government's declaration as the basis for widespread smoking bans in buildings and public places.

The government made its assertion in January last year when the Environmental Protection Agency issued a report titled *Respiratory Health Effects of Passive Smoking: Lung Cancer and Other Disorders*.

The report said passive smoking increased the risk of illnesses such as lung cancer and it was a contributory cause of asthma, pneumonia and bronchitis in children. Its most important conclusion was that passive smoking killed 3,000 non-smokers a year, and

it classified second-hand smoke as a class A carcinogen.

However, many smokers say the EPA was determined to show passive smoking killed and manipulated the evidence to suit conclusions it had already made.

The two biggest US tobacco manufacturers, Philip Morris and R.J. Reynolds, have joined with four other tobacco industry plaintiffs in bringing a lawsuit against the Environmental Protection Agency seeking a declaration that the agency's risk assessment should be declared null and void.

They say the agency ignored its own scientific guidelines, overstepped its regulatory authority, used faulty science and improper procedures to arrive at its conclusion, and "cherry-picked" data by ignoring newer and larger studies contradicting its conclusion.

The agency sought to have the case dismissed, contending that its risk assessment was not final agency regulation and was not subject to judicial review. But a US district court in North Carolina this week threw out the agency's case, paving the way for an examination of its conduct in court.

## Japan seeks to allay Seoul's fears

By William Dawkins in Tokyo

Mr Tomiichi Murayama, Japan's new left-wing prime minister, will today visit Seoul to try to reassure South Korea that it can still count on his country's support.

Mr Murayama's Social Democratic party has closer links to North Korea than any other political group in the democratic world and formally refuses to recognise South Korea as a sovereign state.

His tacit recognition of South Korea marks the latest step in the SDP leadership's

abandonment of most of its traditional policies, in evolving over the past year from a party of opposition to one of government.

That process came to a climax last month when Mr Murayama became Japan's first Socialist prime minister for 47 years.

The South Korean visit, the first since the new government took power at the end of June, is the opening stage of a tour of five south-east Asian countries over the next week.

Mr Murayama will be accompanied by Foreign Minister

Yoshiro Kono, president of the conservative Liberal Democratic party which is the dominant party in the three-member coalition. The trip includes Vietnam - the first official visit there by a Japanese prime minister for 21 years - Singapore and the Philippines.

Mr Murayama would explain to South Korean President Kim Young Sam the complexities of Japan's new coalition government and would seek to assuage fears about his new regime, a Japanese Foreign Ministry official said.

Japan's Asian policies were

unchanged and Tokyo would continue to press for a negotiated settlement of the dispute over whether or not North Korea was illicitly making nuclear weapons, the official added.

Mr Murayama will continue Japan's policy of apologising for its war record in mainland Asia and is expected to tell President Kim of a plan to spend ¥100bn (£53.58m) over the next decade on academic studies of war history and youth exchange.

Mr Murayama's Asian visit comes as the yen's recent

strength has increased pressure on Japanese companies to shift more production capacity to cheap locations in neighbouring countries.

Japanese investments in the rest of Asia rose three-fold in the seven years to 1993, so that the region's share of Japanese foreign investment will reach 37.5 per cent this year, according to government figures. This has been accompanied by a sharp growth in trade, so that Japan's trade surplus with Asia last year surpassed the gap with the US for the first time.

## Raytheon secures deal to monitor Amazon

By Patrick McCarthy in Sao Paulo

A consortium led by the US electronics company and defence manufacturer Raytheon has won a \$1.1bn (£700m) contract to build a technological surveillance system in the Amazon rain forest.

The Brazilian government rejected a French bid, represented by Thomson and Alcatel, to supply and install the Amazon Surveillance System (Sivam).

A statement from the Brazilian president's office on Thursday evening said the Raytheon tender was technologically and financially superior.

The contract includes the supply of radar equipment, aircraft and communication networks, which will be used to monitor the Amazon for environmental research, including deforestation, as well as for air-space and border control and combating drug trafficking in the region.

The Raytheon consortium includes MacDonald Dettwiler of Canada, Westinghouse Electric, the University of New Hampshire and the Brazilian operations of IBM.

It also includes the Brazilian government-controlled aircraft manufacturer Embraer.

The Brazilian government will receive eight years grace on payment and a further 10 years to pay for the contract, which will be financed by the US Eximbank, according to Mr Esteve Ortiz, president of Esca, the Brazilian company coordinating the project.

Mr Ortiz said that the financing proposals offered by both consortiums were "unbelievably good."

Brazilian companies, particularly Embraer, will be responsible for supplying about 40 per cent of the contract value, he said.

The US and French bids were shortlisted in May after the government rejected tenders from the US's Unisys Corp and a joint bid by Germany's Deutsche Aerospace and Italy's Alenia.

Both the US and French governments lobbied strongly for the contract. Last October Mr Gerard Longuet, French trade and industry minister, visited Brazil and last month Mr Ron Brown, US secretary of commerce, led a trade mission to the country.

The Sivam project is described by the Brazilian government as "the largest and most complex attempt to monitor the environment anywhere in the world."

It will be made up of a network of fixed and mobile radar, aircraft and satellite monitoring and a communications network. The system will be controlled from the capital, Brasilia, with centres in the towns of Manaus, Belem and Porto Velho.

## LDP changes mind over N-arms rally

Japan's odd ruling couple yesterday showed a change of heart when the conservative Liberal Democratic party agreed, for the first time, to take part in a rally against nuclear arms, writes William Dawkins.

Mr Yoshiro Mori, LDP secretary general, said the party had accepted an invitation from its new coalition partner and former adversary, the left-wing Social Democratic party, to send representatives to the demonstration in Hiroshima next month.

The LDP's gesture to the anti-nuclear left came two days after Mr Tomiichi Murayama, SDP prime minister, made an unprecedented gesture to the pro-military right by abandoning his party's belief that Japan's defence forces were unconstitutional.

"The banning of nuclear weapons is a common theme among the people of the world and, as the only nation to have suffered from atomic bombing, Japan must be serious about this spirit," Mr Mori said.

The annual rally, organised by the

Japan Congress Against Atomic and Hydrogen Bombs, starts on August 3 and ends three days later on the anniversary of the atomic bombing of Hiroshima. Until this year the LDP had refused to attend, on the grounds that it was organised by the Socialist opposition, with which it formed a government last month.

The LDP does, however, attend memorial ceremonies at Hiroshima on August 6 and at Nagasaki on August 9. Nagasaki was also bombed in 1945.

In another gesture to its left-wing

allies, the LDP said yesterday that it had shelved plans to rewrite Japan's US-drafted pacifist constitution.

However, Mr Yoshiro Kono, LDP president, said there would be no change in the party's resistance to another Socialist demand, for better government medical help for the 340,000 registered *hibakusha*, people of Hiroshima and Nagasaki suffering from radiation sickness. The Socialists also argue there are a large number of unregistered victims deserving state assistance.

## US tight lipped on Mideast initiative

By Mark Nicholson in Cairo

Mr Warren Christopher, US secretary of state, yesterday completed in Damascus his third Middle East shuttle trip to the region soon.

He declined to reveal the substance of talks he held with President Hafez al-Assad, the Syrian leader.

A Syrian government spokesman said Mr Assad had "listened to ideas" Mr Christopher had brought from Israel on unlocking the impasse over the Golan Heights and had "expressed readiness to discuss steps" to move the process forward.

As on previous visits to Damascus, neither Syrian nor US officials have revealed the contents of what diplomats in the region believe are detailed, but slow-moving negotiations between the two sides. Mr Christopher visited Damascus



Farouq al-Shara (right), Syrian foreign minister, greets Warren Christopher on his arrival in Damascus for peace talks

twice during this week's initiative, which coincided with the start of detailed negotiations on border, water and security issues between Israel and Jordan.

Meanwhile, King Hussein of Jordan yesterday left Amman for Washington where he is set

to hold his first public meeting with Mr Yitzhak Rabin, Israel's prime minister, at the White House on Monday. The summit will symbolise accelerated progress in Israeli-Jordanian talks.

Israel for the second time this week yesterday barred a

member of the Palestinian self-rule administration from entering Jerusalem, the Israeli army said, Reuter adds from Jerusalem.

An army spokeswoman said Mr Mohammed Zuhdi al-Nashashibi, who holds the finance portfolio in the Palesti-

nian Authority in Gaza and Jericho, was stopped as he tried to drive into Jerusalem from the Jericho self-rule enclave. "He [Nashashibi] wanted to enter Jerusalem from Jericho but he didn't have permission so was told to go back," she said.

## Caldera defiant over suspension of rights

By Joseph Mann in Caracas

Venezuela's President Rafael Caldera yesterday suspended constitutional freedoms a day after Congress had ordered them restored, according to Interior Minister Ramon Escovar Salom.

Congress voted on Thursday night to restore five out of six constitutional rights suspended on June 27 by Mr Caldera's overriding emergency powers from the executive. The original suspension needed to be approved by Congress.

But the president yesterday called a special cabinet meeting to discuss the move, after which Mr Salom reported

that he had decided to suspend the constitutional guarantees once again.

Citing a critical economic and financial situation in the country, President Caldera last month decreed the suspension of three civil rights and three economic rights established under the constitution. The civil rights protected against arbitrary arrest and imprisonment and ensured the inviolability of a citizen's home and free movement in and outside national territory. The economic rights protected the freedom to engage in any legal economic activity, the ownership of property and against expropriation without due process and indemnity.

In a marathon session of both the Chamber of Deputies and the Senate, a majority voted to restore all rights except that of the freedom to engage in legal economic activity.

Three opposition political parties - Democratic Action (social democrats), Copet (Christian democrats) and Radical Cause (a leftist group) - formed a bloc to back restoration of the five rights. The two parties supporting President Caldera, Convergencia and the socialist MAS, walked out of the congressional chamber during the vote.

Over the week, members of Mr Caldera's cabinet met congressmen to argue for continued suspension of the rights.

The suspension was also supported by the military and security services.

However, opposition congressmen argued that existing legislation allowed the executive sufficient powers to confront the country's problems.

Since the rights were removed, police and soldiers have raided scores of food stores, arresting owners for alleged profiteering and confiscating merchandise allegedly "hoarded". Police have also raided slum cities, detaining hundreds of people suspected of criminal activities.

Officials have also seized property belonging to individuals and companies linked to Banco Latino.

## Chinese dream sours for high-flying entrepreneur

The detention of 'Jimmy' Peng on suspicion of corruption has turned the spotlight on a secretive and primitive legal system, writes Simon Holberton

For the past nine months, Mr James Peng, a China-born Australian businessman, has been held without charge on suspicion of "corruption" in Shenzhen's Meiling detention centre in southern China. If Mr Peng is found guilty of corruption he faces a minimum prison term of 10 years and possibly the death penalty.

The fate of "Jimmy" Peng, 35, is the story of an entrepreneur who flew too high and was brought down by a Chinese legal system still secretive in its methods and primitive in its treatment of suspects.

For a time Mr Peng was a local hero. His company Champaig, a textile, property and trading group, was the first Sino-foreign joint venture listed on a Chinese stock exchange. In 1991 he almost pulled off the HK\$1.15bn (£56.6m) sale of his controlling interest in Champaig to Lollman, a Hong Kong property investment company. But the deal came unstuck.

And late at night on October 13 last year, Mr Peng was taken from the Mandarin Oriental in Macao by the police and handed over to the Chinese police, in an arrest which has raised international concern.

On June 9, after repeated demands by the Australian government for an explanation, the Macao government said Mr Peng had consented to his return to China to answer charges of corruption. But a spokesperson for the Australian department of foreign affairs and trade said last week that Canberra was dissatisfied with Macao's response.

On June 20, Senator Gareth Evans, Australia's foreign minister, wrote to his opposite number, Mr

Qian Qichen, expressing the Australian government's "deep concern" at China's handling of the case.

Under China's criminal code a suspect can be held for two months without charge, unless the National People's Congress, China's parliament, gives written authorisation for an extension. On Thursday, the semi-official Hong Kong China News Agency quoted an unnamed official from the Shenzhen People's Procuratorate saying that Mr Peng's detention had been approved by the NPC and was "strictly within legal limits".

Mr Peng's problems appear to relate to his ownership of Champaig.

In 1987 he acquired the loss-making Shenzhen Yuan Ye Textiles company and the Shenzhen government approved its conversion into a Sino-foreign joint venture with Mr Peng's Pango Industrial, a Hong Kong-registered private company, owning 88 per cent of its ¥200m (£1.5m) registered capital. This joint-venture company was listed on the Shenzhen stock exchange in March 1990 as Champaig.

Between 1987 and 1990 Mr Peng appears to have performed wonders, with Champaig's audited profits before tax at ¥1.15m in 1990. But he also angered local officials with some debt financial footwork.

In July 1988, according to an August 1988 report by a committee established by the Shenzhen government to restructure Champaig,

one shareholder, Xinye, a state-owned company, converted its ordinary shares into preference shares. Xinye did this for an entitlement to dividend payments capped at a total of ¥300,000.

Two months later Mr Peng revealed the company's assets. This increased Yuan Ye's net worth by ¥25.7m and gave Pango a windfall gain of ¥24.6m on its investment.

The Shenzhen government's 1993 inquiry found that "this action of revaluation resulted in injury to the state".

The first inkling that Mr Peng might be in trouble came in 1991 when he tried to sell Pango (which then owned about 51 per cent of Champaig) to Lollman. Lollman was well connected in China and was sold last year to the People's Liberation Army and renamed Poly Investments.

But the proposed sale to Lollman, unveiled in June 1991, fell through in July. Lollman cited complexities relating to the auditing of Pango's interests in Shenzhen. Press speculation suggested the Shenzhen government had intervened to stop the deal.

This was also suggested by Mr Peng in a letter he wrote to the Australian consul in Guangzhou on September 28 last year from his home in Sydney.



'Jimmy' Peng: a local hero

Pango's interest in Champaig when first the Shenzhen government and then the People's Bank called off the talks.

The central bank sent in inspectors and seized Champaig's bank accounts. Champaig's bank accounts were frozen and the People's Bank stated that no bank would be allowed to realise its security against Pango's mortgaged Champaig shares.

This rendered unsecured loans that were previously secured as a

result, on June 20 the Industrial and Commercial Bank of China (ICBC) sued Champaig in the Shenzhen Intermediate People's Court for the recovery of a ¥100m loan. The bank also alleged that Pango was not the legal owner of its interest in Champaig in view of share trades which occurred in 1988.

The People's Bank sequestered Pango's investment in Champaig. Mr Peng stepped down as chairman of both Pango and Champaig in an attempt to take some of the heat out of the dispute.

On December 12 the Shenzhen court voided Champaig's loan agreement with ICBC - even though Pango had paid off the debt before the hearing began - on the basis that Pango's ownership of its Champaig shares was illegal. Pango appealed to the Guangdong Higher People's Court.

At the beginning of May last year the Guangdong court overturned the Shenzhen court's ruling. The court found that Pango did have legal title to its shares in Champaig and could therefore use them as collateral for a loan. However, it ordered ICBC to hand over the Champaig shares in its keeping to the Shenzhen Securities Regulatory Office "for further handling", because the Shenzhen authorities had already decided to "reorganise" Champaig.

At this point Deng Xiaoping's niece, Ms Ding Peng, appeared on the stage. Mr Peng says in his letter

to the Australian consul that he hired Ms Ding - the daughter of Mr Deng Xiaoping, the younger brother of Mr Deng - "to more efficiently facilitate communications with officials in Shenzhen".

According to Mr Peng's wife, Lina, relations with Ms Ding appeared to be warm. Last week she said that her husband paid Ms Ding HK\$100,000 a month and provided her with an office in Hong Kong.

In his letter to the Australian consul, Mr Peng says that Ms Ding and a Mr Zheng Lie Lie, were hired to lead Pango's discussions with the Shenzhen government-appointed Champaig Restructuring Group. In apparent defiance of the Guangdong court ruling, Shenzhen proceeded with its restructuring of Champaig in spite of the superior court ruling that Pango's ownership of Champaig was legal.

In the midst of these talks Mr Peng discovered that Ms Ding and Mr Zheng were attempting secretly to transfer Pango's shareholding in Champaig, valued at HK\$450m, to a company they owned prior to its resale to China Investments, one of Hong Kong's lesser "red chips" (the mainland equivalent of a "blue chip" stock).

Mr Peng and associates immediately sought and obtained a Hong Kong High Court injunction preventing the share transfer. However, developments across the border were once again moving against him.

On September 5 last year the Shenzhen government convened a meeting of Champaig's shareholders. Although Mr Peng alleges in his letter to the Australian consul that a quorum was not present, the meeting voted to confiscate Pango's shareholding in the company and divide it between Shenzhen Municipal Development (Holdings), and Hong Kong China Project, a company on whose board of directors sits Ms Ding.

Mr Peng immediately lodged a suit against the Shenzhen government with the Shenzhen Intermediate Court but, to date, it has refused to accept his application. Weeks after this suit was lodged Mr Peng was detained in Macao and handed over to the Shenzhen police.

For corporate lawyers, the way local Shenzhen officials and others have combined to confiscate Mr Peng's assets has caused alarm. "The Shenzhen authorities have shown a flagrant disregard for the rights of shareholders and creditors, which are the basic rights enshrined in all company law," says a Hong Kong lawyer. Furthermore, his case is cautionary for ethnic Chinese businessmen who are nationals of another country.

The stakes were raised last week when Mr Peng's wife Lina decided to publicise her family's relationship with Ms Ding. To implicate such a close relative of Mr Deng Xiaoping in this way could invite harsher treatment of her husband. An adviser to Lina Peng agreed that it was a high-risk move - "but it's been nine months that he's been detained and Lina has been through most of the low-risk strategies," he said.

## NEWS: UK

# C&G leads on profit per customer

By Alison Smith

Cheltenham & Gloucester Building Society made an average of £32 profit out of each of its 1.4m customers last year, according to analysis carried out by Datamonitor, the market research group.

This made it the society profiting most from its customer base. The next most profitable per customer was Woolwich Building Society, the UK's third largest, which made an average of £28 out of each of its 4.2m customers. It was the most successful at generating commission income through its branches.

The research into the different strategies adopted by societies for their branch networks revealed that the way the network was run was unprofitable for some societies.

The figures suggest that Leeds & Halifax made a loss of £24 a customer on its branch network last year, while Nationwide, the second-largest society by asset size but with the largest branch network, made a £13 loss per customer.

They also show that for a significant minority of societies analysed, the branch network was broadly neutral in terms of profit last year. Datamonitor said yesterday that the calculations took account only of the profitability of societies' branches, and not of profits from other aspects of their activities.

## PROFIT PER CUSTOMER

Retail profit (£000s) per customer	C
Nationwide	(13)
Halifax	22
Woolwich	28
Leeds Permanent	2
Alliance & Leicester	1
Bradford & Bingley	1
Britannia	8
Cheltenham & Gloucester	32
First & West	24
Yorkshire	35
(National & Provincial figures not available)	

Source: Datamonitor

Although C&G is the sixth largest society by assets, it has only 236 branches and mortgage centres, contributing to a low cost-income ratio. It is the object of an agreed cash bid of £1.5bn from Lloyds Bank.

Datamonitor said its research showed Halifax, Alliance & Leicester and Nationwide, three of the four largest societies, had relatively low commission income per customer but higher numbers of customers per branch, while other societies concentrated on generating higher levels of net commission per customer.

Halifax is to set up its own life insurance operation from the start of next year, and Nationwide announced in May that it too intended to set up life insurance and unit trust subsidiaries.

Datamonitor saw the greatest scope for percentage increases in generating new net income for A&L and Nationwide.

By David Owen and Lisa Wood

Mrs Gillian Shephard aims to make the improvement of academic and vocational training for students of 16 and over one of her top priorities at the Department for Education.

As fresh details of changed ministerial responsibilities emerged yesterday in the wake of this week's reshuffle senior aides of the new education secretary said she was keen to focus on the 16-plus age-group which had been "traditionally

neglected". Mrs Shephard was "passionately concerned" about the education of all students aged 16 and above whatever their ability, the aides said.

Mrs Shephard's system of priorities may spark a change of culture at her new department, which has long favoured the academic rather than the vocational.

As a former employment secretary Mrs Shephard is acutely aware of the workplace dimension and is likely to accelerate

developments which encourage what is called "parity of esteem" between vocational and academic qualifications.

She is also likely to question her department's strategy of setting aggressive targets for pupils staying on at school, and whether the work-based route is better for some.

She is expected to welcome the planned introduction of qualifications which assess practical skills into schools. It was Mrs Shephard who started work at the Depart-

ment of Employment on the "modern apprenticeship" - a work-based training alternative to staying on at school - which will be introduced next year.

She was also a keen advocate of a "universal credit" being offered to all young people at 16, whether staying on at school or leaving to take a training place on Youth Training - the government's main training scheme for unemployed young people.

Mrs Shephard's other priori-

ties at the department are expected to include nursery education and re-establishing what her aides describe as the "constructive" dialogue she enjoyed with trade union leaders as employment secretary.

Details of ministerial responsibilities in the Department of Trade and Industry and the Ministry of Agriculture Fisheries and Food were published yesterday.

At the DTI, Lord Ferrers, the former home office minister,

will assume responsibility for small companies and consumer affairs, while Mr Tim Eggar will take on the Post Office in addition to his energy-related duties. Mr Charles Wardle, another former Home Office minister, will provide support for Mr Eggar. Mr Ian Taylor will have responsibility for telecommunications and some trade matters.

Mrs Angela Browning, another new minister, will succeed Mr Nicholas Soames as food minister.



Tony Blair at London's Savoy Hotel yesterday with Thabo Mbeki, South African deputy president

## Blair tells unions not to expect special access

By Kevin Brown, Political Correspondent

Mr Tony Blair yesterday warned union leaders not to expect privileged access to the next Labour government and suggested that only millionaires would pay more tax.

As cabinet ministers launched a vitriolic attack on the new Labour leader, Mr Blair set out his vision for the party in a series of interviews charting his course for the centre ground of British politics.

He firmly slapped down Mr Ken Livingstone, the only left-wing MP openly to criticise his election, and dismissed forecasts of a clash on employment policy with Mrs Margaret Beckett, the former deputy leader who he beat in the leadership ballot.

Mr Blair told BBC radio that unions would have no more influence over the next Labour government than employers, in

spite of the unions' constitutional role in the Labour party.

He said: "Trade unions will have no special or privileged place within the Labour party. They will have the same access as the other side of industry. They are not going to be told that they are not a part of our society. But we are not running the next Labour government for anyone other than the people of this country."

Mr Blair went out of his way to reassure better-off voters that Labour had abandoned the "soak-the-rich" approach of the 1970s, and had no plans for a return to penal taxation.

Using language calculated to demonstrate the depth of change in Labour's approach, he pledged: "I am not anti-wealth. If someone goes out through hard work and graft and makes themselves a millionaire, good luck to them. But it is right, in that set of circumstances, that they

should not be able, by hiring the right accountants, to avoid paying tax altogether."

But, he said, the number of top-rate taxpayers had tripled under the Conservatives to include primary school teachers and policemen, who could not be called rich.

"That is not what the Labour party is talking about at all," he said. The objective was to tax those who "end up paying virtually no tax or can use offshore trusts or tax shelters not to pay their fair share."

Mr Blair was clearly irritated by Mr Livingstone's claims that the "lovely creatures and the spin-doctors" running the party had avoided substantive policy issues in the election campaign.

Mr Malcolm Rifkind, defence secretary, dismissed Mr Blair in a speech in Edinburgh as a "pollyanna" and a "naïf". Mrs Virginia Bottomley, health secretary, described his election campaign as "candy floss".

## The people who guide British policy



### THE CABINET

Prime minister	John Major
Leader of the Commons	Tony Blair
Leader of the Lords/Lord Privy Seal	Viscount Cranborne
Lord Chancellor	Lord Mackay of Clashfern
Chancellor of the Exchequer	Kenneth Clarke
Home secretary	Michael Howard
Foreign and Commonwealth secretary	Douglas Hurd
Trade and industry secretary	Michael Heseltine
President of the Board of Trade	David Hunt
Chancellor of the Duchy of Lancaster	Gillian Shephard
Education secretary	Malcolm Rifkind
Defence secretary	Ian Lang
Scottish secretary	

Welsh secretary	John Redwood
Health secretary	Virginia Bottomley
Social security secretary	Peter Lilley
Northern Ireland secretary	Sir Patrick Mayhew
Minister of agriculture, fisheries and food	William Waldegrave
Transport secretary	Brian Mawhinney
Employment secretary	Michael Portillo
Environment secretary	John Gummer
National Heritage secretary	Stephen Dorrell
Chief secretary to the Treasury	Jonathan Aitken
Minister without portfolio (party chairman)	Jeremy Hanley

### MINISTERS OUTSIDE THE CABINET

Agriculture: minister of state - Michael Jack; undersecretaries - Earl Howe, Angela Browning. Defence: minister of state - Roger Freeman, Nicholas Soames; undersecretary - Lord Harewood. Education and Science: minister of state - Eric Forth; undersecretaries - Tim Bowell, Robin Squire. Employment: minister of state - Ann Widdecombe; undersecretaries - James Paine, Philip Oppenheim. Environment: minister of state - David Curry, Robert Atkins; undersecretaries - Robert Jones, Sir Paul Boreford. Foreign Office: minister of state - Baroness Chalker, Douglas Hogg, Alistair Goodlad, David Davis; undersecretary - Antony Belder. Health: minister of state - Gerald Malone; undersecretaries - Baroness Chalker, Tom Sackville, John Birt. Home Office: minister of state - David Mervin, Baroness Blatch; undersecretaries - Nicholas Baker. Law Officers: attorney-general - Sir Nicholas Lyell; solicitor-general - Sir Derek Spencer. Lord Advocate's Department: Lord Advocate - Lord Rodger. Lord Chancellor's Department: undersecretary - John Taylor. National Heritage: undersecretaries - Iain Sproat, Viscount Astor. Northern Ireland: minister of state - Sir John Wheeler; undersecretaries - Michael Annett, Baroness Dainton, Tim Smith.

Office of Minister for the Civil Service and Office of the Chancellor of the Duchy of Lancaster: undersecretary - Robert Hughes. Scottish Office: minister of state - Lord Fraser of Carmyllie; undersecretaries - Alan Stewart, Sir Hector Monro, Lord James Douglas Hamilton. Treasury: minister of state - Sir George Young; paymaster-general - David Heathcoat-Amory; economic secretary - Anthony Nelson. Welsh Office: undersecretaries - Rodric Llyfarch, Gwyn Jones. Whitehall: Chief of Commons - Richard Boddard; chief whip - Greg Knight; Comptroller of the Household - David Lightfoot; vice-chamberlain of the household - Sydney Chapman; tips - Tim Wood, Timothy Knapton, Andrew Macdonald, Andrew Mitchell, Derek Smeeth, Lord Sainsbury, Lord Williams, Lord Burns, David Wiles, Michael Bates, Liam Fox, chief of Lords - Lord Strathclyde; deputy chief whip - Earl of Ararat; whips - Viscount Long, Baroness Trumpington, Lord Lucas, Baroness Miller of Hendon, Lord Ingfield.

## MINISTERIAL COMMITTEES OF THE CABINET

**Committee on economic and domestic policy**  
Terms of reference: strategic issues relating to economic and domestic policy. Prime minister (chairman); chancellor of the Exchequer; home secretary; trade and industry secretary; Lord Privy Seal; Lord President of the Council; Foreign Office secretary; Welsh secretary; Chancellor of the Duchy of Lancaster; Scottish secretary; Northern Ireland secretary; employment secretary; chief secretary to the Treasury. Other ministers will be invited to attend for items in which they have a departmental interest.

**Committee on defence and overseas policy**  
Terms of reference: defence and overseas policy. Prime minister (chairman); foreign secretary; chancellor of the Exchequer; trade and industry secretary; defence secretary; attorney-general. The chief of defence staff and the chief of staff will attend when necessary.

**Ministerial committee on the Gulf**  
Terms of reference: to review developments in the Gulf region and to co-ordinate any necessary action. Prime minister (chairman); foreign secretary; defence secretary; attorney-general. The chief of defence staff and the chief of staff will attend when necessary.

**Committee on nuclear defence**  
Terms of reference: policy on nuclear defence. Prime minister (chairman); foreign secretary; chancellor of the Exchequer; defence secretary.

**Committee on European security**  
Terms of reference: defence and security in Europe. Prime minister (chairman); foreign secretary; chancellor of the Exchequer; defence secretary.

**Committee on Hong Kong and other dependent territories**  
Terms of reference: implementation of agreement with China on future of Hong Kong and the implications of that agreement for the government of Hong Kong and the well-being of its people; policy towards other dependent territories. Prime minister (chairman); foreign secretary; chancellor of the Exchequer; home secretary; trade and industry secretary; defence secretary; Lord President of the Council; Foreign Office secretary; Welsh secretary; Chancellor of the Duchy of Lancaster; Scottish secretary; Northern Ireland secretary; employment secretary; chief secretary to the Treasury. Other ministers will be invited to attend as appropriate.

**Committee on Northern Ireland**  
Terms of reference: policy on Northern Ireland issues and relations with Ireland on these matters. Prime minister (chairman); foreign secretary; home secretary; defence secretary; Northern Ireland secretary; chief secretary to the Treasury; attorney-general. Other ministers will be invited to attend as appropriate.

**Committee on science and technology**  
Terms of reference: science and technology policy. Prime minister (chairman); foreign secretary; trade and industry secretary; transport secretary; defence secretary; minister of agriculture, fisheries and food; environment secretary; health secretary; education secretary; Welsh secretary; Scottish secretary; Northern Ireland secretary; employment secretary; chief secretary to the Treasury. The chief scientific adviser is in attendance.

**Committee on the Intelligence services**  
Terms of reference: policy on the security and intelligence services. Prime minister (chairman); foreign secretary; chancellor of the Exchequer; home secretary; defence secretary; Northern Ireland secretary; chief secretary to the Treasury.

**Committee on local government**  
Terms of reference: to consider the government including the annual allocation of resources. Chancellor of the Duchy of Lancaster; Lord Privy Seal; Lord President of the Council; Foreign Office secretary; Welsh secretary; Scottish secretary; Northern Ireland secretary; employment secretary; chief secretary to the Treasury. The foreign secretary should be invited to attend and to represent for discussion of Queen's Speeches.

**Committee on legislation**  
Terms of reference: to examine draft bills; to consider the parliamentary handling of government bills. European Community documents and private members' business.

**Committee on Queen's Speeches and future legislation**  
Terms of reference: to draft Queen's Speeches to parliament and the government's legislative programme for each session of parliament. Lord President of the Council (chairman); Lord Chancellor; Lord Privy Seal; Chancellor of the Duchy of Lancaster; Lord Advocate; parliamentary secretary; Treasury; financial secretary; chief secretary to the Treasury; Captain of the Gentlemen-at-Arms.

**Committee on the Queen's Speeches**  
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**Committee on the environment**  
Terms of reference: environmental policy. Chancellor of the Duchy of Lancaster (chairman); Lord Privy Seal; foreign secretary; trade and industry secretary; chancellor of the Exchequer; transport secretary; minister of agriculture, fisheries and food; environment secretary; Welsh secretary; Scottish secretary; Northern Ireland secretary; employment secretary; chief secretary to the Treasury.

**Committee on home and social affairs**  
Terms of reference: home and social policy issues. Lord President of the Council (chairman); Lord Privy Seal; Lord Chancellor; home secretary; trade and industry secretary; transport secretary; environment secretary; Welsh secretary; Scottish secretary; Northern Ireland secretary; employment secretary; chief secretary to the Treasury.

**Committee on the Queen's Speeches**  
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# MPs to urge wider role for telecoms groups

By David Owen

British Telecommunications would be free to carry entertainment services in some parts of Britain by the late 1990s under proposals to be unveiled by MPs next week.

The Commons trade and industry committee is expected to recommend sweeping changes to the licensing, franchising and exclusivity arrangements that govern the industry.

The Tory-controlled body is expected to urge ministers to remove uncertainty which MPs feel has been dogging the sector. It is likely to say the regulatory system is too rigid.

The report comes amid mounting calls for the government to rethink its policy banning BT and Mercury Communications from offering entertainment services over their existing networks until at least 2001. BT is most hard hit because, unlike

Mercury, it has a local network. Sir Bryan Carsberg, director-general of fair trading, said last month that the ban could create local telecommunications monopolies in the shape of cable-television companies if continued for too long.

His remarks came three weeks after Mr Michael Heseltine, trade and industry secretary, flatly rejected a Labour proposal to lift the ban in return for BT agreeing to

invest heavily in extending fibre-optic cables into its local network.

He said it would be "the gravest possible breach of integrity" for the government to go back on its word to the cable companies.

When imposed in 1991, the ban's aim was to encourage cable companies to invest in local cable networks, providing telecoms services in competition with BT.

Next week's report is expected to

recommend that the government starts reviewing the exclusive rights given to cable companies to carry entertainment on a franchise-by-franchise basis as they mature.

This could have the effect of allowing public telecoms operators into the entertainment market well before the end of this decade.

Many observers believe the strongest case for an early lifting of the ban is in parts of the country

not covered by cable franchises. Ofcom, the telecommunications regulator, is empowered to report on the desirability of lifting the ban from 1998. But Mr Don Cruickshank, Ofcom's head, has played down the prospect of even a review of the BT ban before 2001.

The cable companies say the ban is essential to ensure the viability of their planned \$6bn investment in the next five years.

## Swans bidder to meet Rifkind

Mr Malcolm Rifkind, the defence secretary, and Mr Roger Freeman, defence procurement minister, will on Tuesday meet the head of Sofia, the parent of the French-based company CMN which is the sole prospective buyer for Tyneside shipbuilder Swan Hunter, Charles Fife writes.

CMN has said it will only buy the yard if the government guarantees two years' base workload. Swans' present work finishes in November.

An offer to Swans by the Ministry of Defence of the 58th refit of the Royal Fleet Auxiliary tanker Oliver depends on the yard finding a buyer and ending its receivership by August 1.

## MetroCentre to open on Sundays

The Church Commissioners, landlords to the MetroCentre in Gateshead, Tyne and Wear, are to allow the shopping centre to open on Sundays.

Approval follows an 80 per cent vote in favour by tenants.

## Consortium set to buy LT advertising

London Transport looks set to sell its advertising arm, London Transport Advertising, to a consortium led by the largest transport advertising company in the US, Transportation Displays Incorporated, and Hambro Group Investments.

LT said yesterday that it was dropping all but two from its shortlist - the consortium, and a management and employee buy-out. LT said the consortium was its preferred bidder. The sale is due for completion before the end of August.

## ITN and NBC to share news material

Independent Television News is to supply news packages to NBC, the US network, and its affiliate stations in a deal that also allows ITN to use NBC material.

The deal follows a decision by ITN to sell its news coverage directly rather than having it handled by Worldwide Television News.

## Easing of radio rules is sought

The Radio Authority has asked the government to simplify ownership rules for commercial radio stations.

Limits on how many stations a company can own are determined by a points system. A national commercial station is worth 25 points, while a local station is worth three points.

No group can own more than 15 per cent of the points or more than 20 licences, more than six local and large metropolitan stations, or two FM stations in any area.

The authority wants to preserve the 15 per cent rule, but believes most of the others are no longer necessary.

## Airport reports fall

Manchester Airport's profits fell to £16.5m in the year to the end of March compared with £38m in 1992-93 because of higher operating costs and interest charges after opening its second terminal last year.

## Union chief dies

Alex Perry, former general secretary of the Confederation of Shipbuilding and Engineering Unions, has died aged 63.

## Court fails to answer Mercury's bitterness

The refusal by the Court of Appeal yesterday to interfere in the dispute between Mercury and Ofcom, the telecommunications regulator, will not only affect Mercury. It has ramifications for wider telecoms competition in the UK and for the relationship of utility regulators with the courts.

Mercury has long been aggrieved by what it regards as excessive prices it pays British Telecommunications for delivering its long-distance calls to their final destination across the local BT network.

This discontent has turned to bitterness in the face of recent large cuts in BT prices and fast-growing competition from new operators licensed since the abolition in 1991 of the BT/Mercury duopoly.

Although BT carries 85 per cent of all phone calls by value, the new competitors could harm Mercury more than BT because their target is the corporate market, which is Mercury's main source of revenue.

Mercury's complaints are complex but boil down to two issues.

It believes that the so-called "access deficit contributions" (ADCs) - which it pays to compensate BT for losses it makes on its local network -

## Andrew Adonis on a decision which will affect utilities and regulators

are a tax on competition. It also challenges the current basis for interconnection payments.

Mercury says that a capacity-based system - under which competitors would pay BT mostly for peak-rate capacity, not individual calls - would be fairer than the current per-call system.

The court case concerned the latter issue, capacity-based charging.

Unless Mercury can persuade the House of Lords to overturn the Court of Appeal's decision it will have to return to Ofcom to secure a change.

Ofcom says, however, that Mercury has provided it with no more than a sketchy outline of the new system it wants, and industry analysts are sceptical that a capacity-based system could be made to work in practice.

In the process, however, Mercury has raised important questions about the role of the

courts in supervising utility regulators.

Mr Don Cruickshank, director-general of Ofcom, deprecates the idea of the courts playing an integral role in the regulatory process, arguing that it would bring all the evils of the US telecoms industry "where no-one - regulators or industry - knows what is or isn't allowed".

The verdict of the Court of Appeal was delivered in an ambiguous one.

In dismissing Mercury's case without allowing it to rehearse the detailed points at issue the court refused to involve itself and refrained from setting a precedent for other companies or organisations - particularly in the environmental field - disgruntled with a regulator.

However, the judges made comments which might encourage Mercury and others to try their luck in future.

One of the three judges ruled that Mercury had made out a case without a judicial hearing. And one of the judges in the majority said he was "not persuaded" by Mr Cruickshank's basic argument that the courts should not interfere in Ofcom's interpretation of the issues at stake, although he dismissed Mercury's case for other reasons.



A steam engine operated by Ffestiniog Railway, near Tanygarn, on a line which will eventually reach the north Welsh coast

## Ffestiniog wins fight for rail route

By Charles Batchelor, Transport Correspondent

A fierce battle between rival steam railway companies for control of a 20-mile stretch of disused line through Snowdonia national park has been decided this week.

Mr John MacGregor, in one of his last acts as transport secretary, gave approval for the Ffestiniog Railway to acquire the railway bed against a rival claim from the Welsh Highland Light Railway.

In deciding in favour of Ffestiniog, Mr MacGregor overturned the recommendation of the inspector who chaired a

four-week public inquiry into the rival bids last year.

His ruling clears the way for Ffestiniog, which already runs a successful steam railway over a 13-mile route between Blaenau Ffestiniog and Porthmadog, to create a 96-mile loop through the national park to the tourist centre of Caernarfon on the north Welsh coast.

Mr MacGregor came down in favour of Ffestiniog in part because of its experience. The company, which employs 60 people alongside 6,000 volunteers, expects to invest £250,000 in its existing line this year. It carries nearly 200,000 people a year with a turnover of £2m.

Work on restoring a service on the disused track bed could take up to 15 years to complete and cost between £10m and £15m.

Mr Gordon Buekton, the general manager of the Ffestiniog Railway, is offering the Welsh Highland Light Railway, an entirely voluntary organisation, the chance to co-operate on the project but considerable bitterness remains between the two.

Disputes between rival railway enthusiasts are not uncommon. The Association of Railway Preservation Societies said it was a pity so much money, which could have been

spent on restoring the railway, had been wasted on legal expenses.

The decision in favour of Ffestiniog could be seen as a further small step down the road towards privatising Britain's railway network. The Welsh Highland bid had the support of Gwynedd county council and a number of other local councils - one reason for the inspector recommending Welsh Highland at the inquiry.

But Mr MacGregor concluded that the inspector had attached "too little weight to the benefits of placing such matters entirely within the private sector."

## Service pledge in train dispute

By Lisa Wood, Labour Staff

Rail users can expect a slightly better service during next week's 48-hour stoppage than during last week's one-day strike. Railtrack, the state-owned company responsible for the railway infrastructure, said yesterday.

Mr John Ellis, Railtrack's production director, was questioned by the Central Rail Users Committee, the official watchdog of rail travellers, at a scheduled meeting in London where he expressed little optimism for a quick resolution of the signallers' dispute.

He said: "We are anticipating that we should be able to provide a very similar, if not improved service, than that we offered last week."

Mr Ellis said 30 per cent of the normal weekday rail network would be available during the strike period, which begins from noon next Tuesday.

He hinted that contacts had been established between Mr Bob Horton, Railtrack chairman, and Dr Brian Mawhinney, the new transport secretary. He said: "I personally have not had contacts with him but there has been some initial contact with the new secretary of state."

There has been speculation about a breakthrough in negotiations next week. Mr Ellis, who did not rule out talks this weekend at Acaes, the arbitration and conciliation service, said he could not say when the dispute would end. "We are still a long way apart and there is not much sign on a formal basis of resolving the differences but informal talks continue."

RMT, the transport union, wants an "up-front" pay rise for past productivity improvements before it will agree to talks on restructuring signalling work. Railtrack wants a binding agreement on such discussions before it will make such a move.

On the safety of managers and supervisors operating signals during the strikes Mr Ellis said: "There is absolutely no compromise on safety. I deplore what RMT have been doing in raising totally unnecessary fears about this issue."

The Health and Safety Executive confirmed that its inspectors had made spot checks this week during the strike.

The executive said: "In none of these instances were there grounds for the inspectors taking enforcement action."

## Backbench pressure over plans for Ulster assembly

By David Owen

Conservative backbenchers are stepping up pressure on the government to accede to unionist calls to finalise plans for a devolved Ulster assembly without waiting to agree an all-embracing settlement.

Senior MPs are encouraging ministers to abandon the old "nothing is agreed until everything is agreed" formula governing political talks on Northern Ireland's future, in favour of an undertaking that nothing is implemented until everything is agreed.

They suggest such a change could enable cross-party backing for a blueprint for devolved government to be secured more quickly without depart-

ing from the so-called three-stranded approach supported by nationalists.

This requires relations between Ulster and Dublin and London and Dublin to be dealt with in the same process as the province's internal politics for the purposes of the current talks.

News of the MPs' initiative emerged amid indications that unionists and Tory right-wingers have been heartened by remarks made by Sir Patrick Mayhew, Northern Ireland secretary, this week.

Sir Patrick told the Daily Telegraph that Dublin's territorial claim to Ulster was the central issue to be resolved in drafting a joint framework document aimed at encouraging the province's political parties

to return to the negotiating table.

Meanwhile leaders of Sinn Féin, the IRA's political wing, prepared for this weekend conference - at which the party's response to the Downing Street Declaration is expected to be decided - as the cycle of violence in the province continued with a killing and a spate of firebomb attacks.

Bobby Monaghan, 44, a Catholic barman, was shot by loyalist gunmen from the outlawed Ulster Freedom Fighters in Newtownabbey, north of Belfast.

● In London, two High Court judges indicated that they intend to refer the government ban on Mr Gerry Adams visiting mainland Britain to the European Court of Justice in Luxembourg.

## 'Manchester plc' profits up

By Ian Hamilton Fazey, Northern Correspondent

"Manchester plc", the aggregation of the results of the top 100 companies in the conurbation, made £1.45bn pre-tax profit in 1993-94, a rise of 6.5 per cent over the previous year's £1.36bn - in spite of the period reflecting the worst effects of recession for many of the companies involved.

The "accounts", compiled by Manchester's KPMG Peat Marwick, lag the economy because they are a compilation of fig-

ures which are themselves historical.

Mr Alan Bennie, managing partner of KPMG in Manchester, warns that confidence remains fragile and the strength of recovery will require careful monitoring if companies are to become sufficiently reassured to try to force expansion again.

Turnover - the criterion by which the 100 companies were selected and ranked - was only £10,000 short of £29bn, compared with £27.94bn in the 1992-93 "accounts". Although

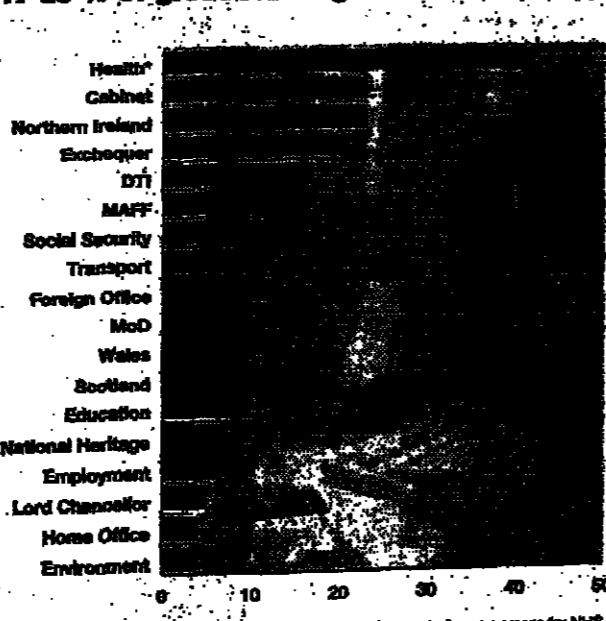
this was only a 3.8 per cent increase, as opposed to the previous year's 4.9 per cent, it was ahead of an inflation rate of less than 3 per cent.

This means that combined with increased profitability, industry and commerce gained in efficiency and performance as recession forced restructuring, on manufacturers in particular. This helped ensure an almost unchanged return on capital of 8.3 per cent.

Operating profit was marginally better at 6.3 per cent compared with 5.8 per cent.

## Civil service computer spending 'to fall'

IT as % of gross running costs



By Alan Cane

Civil service spending on computer systems is set to fall in 1994-95 for the first time in five years, according to one of the first detailed analyses of government information technology expenditures.

The biggest drop, 48 per cent, is at the Department of Social Security which, along with the Exchequer (comprising Treasury, Customs and Excise and Inland Revenue) and the Ministry of Defence, accounts for about two-thirds of the £2.5bn spent annually by government departments and agencies on hardware, software, external services and computer staff.

Its IT services arm, ITSA, plans to spend £58m on computers this year, £56m less than last.

The analysts, carried out by Kable, a research group specialising in public sector information systems, does not take into account the dramatic

decline in computer hardware prices over the past few years. Kable concludes nevertheless that the boom is over for equipment suppliers.

Civil service hardware spend has risen an average 5 per cent a year over the past four years.

At the depth of the recession in 1991-92, government was decidedly popular with the computer industry as budgets rose 20 per cent. This year, equipment spend is set to drop 10 per cent, it says.

The Kable study puts down benchmarks for government IT spending when, as a consequence of market testing and the outsourcing of computer operations, the picture will become much more complex.

Personal computers accounted for 43 per cent of civil service hardware spend in 1993. The MoD alone spent £26. Some £303m was spent on software in 1993, representing 12 per cent of overall IT spending. The largest share, 45 per

cent, went on specially written, or custom, software. In commercial data processing, pre-written or packaged software is increasingly preferred.

Departments spent a total of £127m on consultancy, representing 5 per cent of their systems budgets. However, the DSS and the Exchequer each spent 8 per cent of their budgets while Northern Ireland and Employment spent less than 0.1 per cent.

Market testing - where the performance of in-house operations is measured - also threw up broad differences.

The leaders - the Exchequer and the MoD - have each tested £350m worth of services while the DSS and the Lord Chancellor's Department have not tested activities worth more than 1 per cent of their gross running costs.

**Kable Market Profile: Civil Service JS 1994/95 available from Kable, 40 Bowling Green Lane, London EC1A 3NE, £2,250**

## ALLIANCE INTERNATIONAL TECHNOLOGY FUND

Société d'investissement à capital variable  
47, Boulevard Royal, L-2449 Luxembourg  
R.C. Luxembourg B 21.278

NOTICE  
Notice is hereby given to attend the Annual General Meeting of Shareholders, which will be held on July 25, 1994 at 2.30 p.m. (Luxembourg time) at the offices of State Street Bank Luxembourg S.A., 47, Boulevard Royal, L-2449 Luxembourg, for the following purposes:

1. To approve the annual report incorporating the auditors' report and audited financial statements of the Fund for the fiscal year ended March 31, 1994.
2. To discharge the Directors and the Auditor with respect to the performance of their duties during the fiscal year ended March 31, 1994.
3. To approve the payment of a dividend of 3.10 per share payable to shareholders of record on July 25, 1994.
4. To elect the following persons as Directors, each to hold office until the next Annual General Meeting of Shareholders and until his or her successor is duly elected and qualified:

Dave H. Dwyer, Chairman  
William H. Henderson  
Shing Tseung  
John M. Williams  
John M. Williams  
Hiroshi Ono  
Shing Tseung

5. To appoint Ernst & Young as independent auditors of the Fund to hold office until the next annual meeting of shareholders.
6. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on June 15, 1994 are entitled to notice of, and vote at, the Annual General Meeting of Shareholders and at any adjournments thereof.

Should you not be able to attend the meeting in person, please return your proxy before July 25, 1994 by fax and by airmail to:

State Street Bank Luxembourg S.A.  
P.O. Box 275, 47 Boulevard Royal  
L-2449 Luxembourg  
Fax number: +352-470204

to the attention of Penny Files, to assure that a quorum will be present at the meeting.

By order of the Board of Directors

## FINANCIAL TIMES

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Saturday July 23 1994

## Policy in the upturn

Now more than ever, the makers of monetary policy can expect their every word to be probed for signs of a change in policy. The trouble is that both the tools of their trade and market reactions to their efforts have become increasingly unreliable.

The obvious approach is to make things clearer. The decision to publish the minutes of the British chancellors of the exchequer's monthly meetings with the governor of the Bank of England was a significant step in this direction. In the account of the June meeting - published this week - Mr Eddie George judged the situation "very favourable" and Mr Kenneth Clarke was happy to agree.

UK growth in output, as evidenced by Friday's preliminary estimates of growth in total gross domestic product of 3.3 per cent for the year to June, continues to exceed the historical trend. Excluding the erratic output of oil from the North Sea, however, the increase was only 2.7 per cent. Although the narrow measure of money supply is currently growing above its target range, the eclectic range of other monitored variables does not indicate any need for immediate monetary tightening. Or so the chancellor and the governor agreed.

Their judgment looks sensible. One reason the Bank seems to be relatively sanguine about inflation is its estimate that the economy has an output gap of 6 per cent of GDP, following the recent recession. For all that, bottlenecks may emerge quite soon. The steep slope of the UK yield curve indicates that the markets are concerned about the possibility of higher inflation (and higher interest rates) in the not too distant future. Base rates will indeed have to rise from their current low level, though, with luck, not much before the end of the year.

## Timid moves

The same has been said for some time about American official interest rates, an impression which the Federal Reserve chairman, Mr Alan Greenspan, did nothing to remove this week. During the first of his biannual testimonies to Congress at the beginning of the year, he tried to forewarn the markets of higher interest rates. Consequently, he was surprised by the dramatic plunge in the bond market that followed his first timid moves towards a long-concealed tightening of the US monetary stance.

It seems that for a central bank to explain what it is about to do is not as helpful as might be expected. The only answer is for it to try still harder. One thing he has consistently pointed out is that for the US to take the lead in tighten-

ing monetary policy is a necessary side-effect of America's head-start in the world's move out of recession. He also signalled that the international aspects of monetary policy - above all, the level of the dollar - were not going to be left out of the equation.

Bids for a dollar recovery are also being voiced by members of the Clinton administration. Yet, ever since the G7 in Naples decided that the dollar's fall could not be prevented, the currency has in fact stabilised. An adapted law of unintended consequences might suggest that supportive comments from Washington will send it down again. A steady further depreciation of the American currency remains the conventional financial market wisdom. But the market's conventional wisdom is almost automatically wrong. If everyone has sold the dollar short already, who is left to do so?

## Odd weakness

For all the concern about the American trade account, the dollar's weakness looks somewhat odd, given that short-term US interest rates may soon exceed German ones, an event which Mr Greenspan's careful comments brings closer. The betting on such a "cross-over" was only marginally confused by the Bundesbank's decision, announced on Thursday, to fix its "repurchase" rate at 4.85 per cent for the next four weeks. In effect, this reduced the rate by only 3 basis points over the coming weeks, a contorted way of limiting speculation about the timing of future rate cuts.

The Bundesbank had reason enough for its contortions. It has been cutting interest rates in the light of the performance of inflation, which has been falling, and of the economy, which has been recovering slowly. In the meantime, it has chosen to ignore its target for broad money, whose growth this year has been far above the 4-5 per cent target range. In the last two months, however, the money supply has ceased growing, while the economy has been picking up. As a result, pressure to cut interest rates has diminished. It is even possible that German interest rates are not far from their floor. This week's talk from the Bank of Japan about recovery suggests that the same is true there.

Yet even if the global short-term interest rate cycle is near bottom, US and, for that matter, UK rates are almost certain to rise, relative to those in D-Marks and yen. In their myopic way, markets may suddenly notice this development. If so, the story of the second half of 1994 might be the strength of the dollar, and even of the pound.

"The record is grim and it is no exaggeration to talk of crisis... What is needed is a new kind of social compact, an agreement within the world community that the struggle against poverty in Africa is a joint concern which entails responsibilities for both parties"

- World Bank, 1991

The warnings have gone unheeded. Now come signs of a continent under intolerable strain, poised between crisis and catastrophe, lacking both the capacity and the will to implement economic and political reforms.

Rwanda is the latest in Africa's roll call of disasters over the past 20 years, during which at least 10m people have died and as many have become refugees. For some governments, the strain has proved too much.

Zaire, almost straddling the waist of Africa, is less a state than a collection of fiefdoms. Sudan, Africa's largest country, has been destroyed by civil war, and Sierra Leone, Liberia, Somalia, Angola are joining them. Worse may be to come, for two of Africa's most important countries are now at risk: Nigeria in the west and Kenya in the east are both showing signs of stress.

Nigeria's leaders squandered \$100bn of oil earnings over the decade of the oil boom from the 1970s to the early 1990s. External debt, currently \$34bn, rises by \$6bn a year, the civil service is undermined by political interference and corruption, per capita gross domestic product has halved since 1980, the fault line is deepening between Moslem north and Christian south.

Meanwhile Kenya is battling against impossible odds. Its population has tripled over the past 20 years to 25m, land hunger grows, unemployment rises, and 400,000 school-leavers compete annually for 20,000 jobs in formal employment. Corruption and vested interests stand in the way of effective reform. Meanwhile Africa's rare "success stories" such as Ghana and Uganda, are not inspiring. "Current growth rates among the best (emphasis added) African performers are still too low to reduce poverty much in the next two or three decades," warned a recent World Bank review.

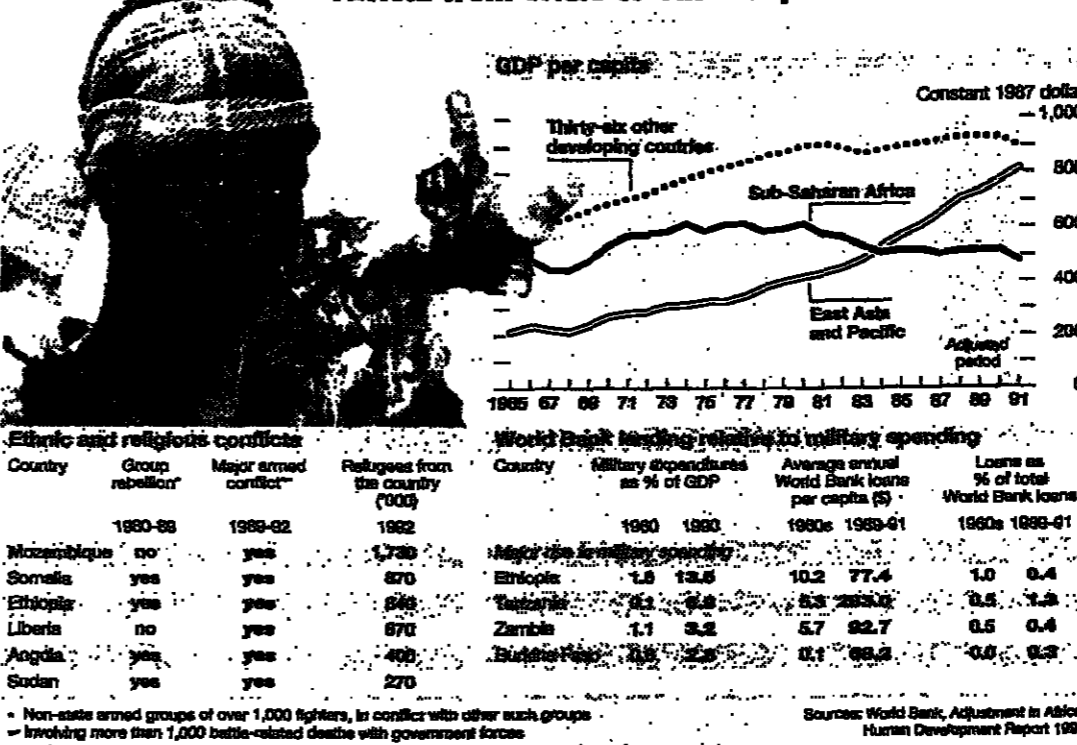
The Bank's hopes, back in 1989, that African economies could grow at a rate of 4 to 5 per cent proved optimistic. Growth has been barely half that, well below the region's 3.2

## The sounds of a continent cracking

Michael Holman says the west must recognise its self-interest in dealing with the crisis engulfing Africa



Africa: from crisis to catastrophe



per cent annual rise in population. Unless Sub-Saharan Africa's "poor" economic policies improve, it will be 40 years before the region returns to its per capita income of the mid-70s, says the Bank.

Dissenting voices suggest ways out of the predicament. "More aid" cries one. But aid has increased and the crisis deepens. Net aid transfers to Africa increased from 5.6 per cent of regional GDP in the early 1970s to 8.5 per cent in the late 70s, reaching 11.7 per cent of GDP by 1990. Sub-Saharan Africa's share of global aid is up to 38 per cent in 1991 from 17 per cent in 1970. A decade of structural adjustment, and net aid flows

of \$170bn, has stemmed the region's decline but not launched a revival. "Reform the international trading system," cry others, pointing to Africa's deteriorating terms of trade. Perhaps, comes the response, but why has Africa lost its market share of cocoa, tea, coffee to other third world countries who live under the same system?

"Foreign investment is the key," say others. But who will invest in a continent where the infrastructure has deteriorated, skills are in short supply, and instability endemic? "Impose democracy by making aid conditional on good governance," say western governments. But democracy isn't working; and

the World Bank's report on the "east Asian miracle" suggests there is not necessarily a link, says another.

What can be done? First, the World Bank, the continent's leading donor, and the agencies must find common cause. Africa needs their vigorous lobbying of the west's decision makers. John Clark, who used to work with Oxfam, put it well in his book, *Democratising Development: The Role of Voluntary Organisations*. Non-governmental organisations, he says, "will make little headway unless their ideas are grounded in economic reality and unless they search for positive as well as nega-

tive lessons within the programmes of the World Bank and other practitioners of development orthodoxy."

Once there is agreement on the economic and political agenda, non-governmental organisations should play a greater role. In certain countries, where the management capacity of government is weak, NGOs should run primary health care, or primary education, or drought relief.

The private sector should make investment decisions, rather than aid workers without the necessary skills.

Increase transparency. Too often donors are willing to conceal what they know of corruption in African governments. They fail to insist on minimum levels of accountability and access to information. By withholding or denying African electorates information about structural adjustment programmes, they stifle debate about economic policy.

Constitution making. Hopes for the revival of democracy will be dashed unless Africa draws up constitutions which take account of ethnic, religious and regional differences. Rebuild the parties and institutions of democratic government.

Set levels of military spending at a percentage of GDP below spending on housing, education and health.

Radical measures to ease Africa's debt burden should be accompanied by tougher monitoring of reform policies, including donor officials in institutions such as central banks and finance ministries. If governments are not willing to embrace structural adjustment and good governance requirements, then donors should only finance humanitarian projects.

Above all, the west must be motivated by self-interest as much as compassion in its response to the African crisis. Possible solutions will only be implemented when an African crisis is seen as a threat and as a loss.

As Africa's economy declines, so immigration to southern Europe will rise; Moslem extremism will intensify; drug-trafficking will increase; disease, whether AIDS or the discovery of bubonic plague in Zaire, will pose a serious health problem; environmental erosion or neglect will lead to the destruction of valuable flora and fauna.

Africa cannot be ring-fenced; and the longer a co-ordinated response to its crisis is postponed, the more daunting become the problems and more serious the consequences of failure.

## Food, water - and troops

Edward Mortimer on how the world should aid Rwanda

An appeal to governments to provide services "as self-contained packages" in airport services, domestic fuel, sanitation facilities and water management.

The UN estimates financial requirements at about \$435m, and is begging governments to make resources available without delay. It points out that this time it has succeeded in co-ordinating the efforts of all its specialised agencies and of some 30 non-governmental organisations - something governments blamed it for failing to do in previous emergencies.

At present, aid is not getting through fast enough, because of the difficulty of reaching the refugees. Forty-five Hercules aircraft each day are needed to bring in food at Goma alone, says Nigel Twose,

international director of the British charity Actionaid. After blaming the French for restricting the number of flights, the UN has now taken control of the airstrip at Goma, only to find it the Zairean authorities which have imposed a limit of 20 flights a day. One of the most urgent priorities is therefore to "persuade" them to relax that limit, and to put in an expert team to maintain the runway so the strip can take flights around the clock.

It is clear that humanitarian aid is not enough to cope with this situation. Indeed, it may make matters worse if it is concentrated on or close to the borders, and thereby encourages the population to gather there in large concentrations where they will become permanently dependent on interna-

tional relief. It is vital to get people back to their homes quickly.

This is also what the new government wants, and it therefore has a strong incentive to co-operate with the UN in reassuring people that they will not be massacred. But mere verbal assurances will hardly be enough. Aid should be made available inside the country to returning refugees, and there will have to be a visible presence of foreign troops to reassure them.

The French deserve credit for saving thousands of lives in the area they have occupied. But many of the people who carried out the genocide against the Tutsi in April and May have taken refuge in that area, which the French now propose to leave by August 31, taking all their equipment with them. If

they are to be replaced by ill-equipped African troops, it is vital that they be persuaded either to leave or to replace their equipment and that other countries with well-equipped armed forces make good on the promise to provide equipment which they gave back in May. It would be even better if some of those countries were willing to send their own troops.

Troops are necessary, but should be there only to stabilise the situation during a political reconciliation process, which may be easier at local level, given strong community leadership, than at the top. Clearly the RPF will not forgive the main instigators of genocide, but it should be helped by external powers to set up an unimpeachable judicial process; and it must be persuaded to limit retribution to the main instigators. If every Hutu with blood on his or her hands were to be hunted down, much of the population would choose to remain in exile and prepare for yet another "war of liberation".

## MAN IN THE NEWS: Brian Lara

## Lara's lucrative theme

Brian Lara, the phenomenon from Trinidad, broke another world record last week, landing the largest individual corporate sponsorship contract ever awarded to a cricketer.

Mercury Asset Management, the UK's largest fund manager, has signed Lara to a two and a half year contract for £100,000. Its value could rise to £500,000 depending upon his performance on the cricket field. MAM has also informally agreed to make contributions to mostly Trinidadian charities in Lara's name.

This deal is unique in a sport in which the average England county cricketer earns £20,000 a year or less. Nick Leigh, a director of Birmingham-based Kennedy Street Enterprises, the agent for Ian Botham and Viv Richards, says it is worth paying Lara such sums because of the crowds he attracts. "You go to your average county cricket game and it's just one man and his dog," he says, adding that the attendance is perhaps 1,800.

Denis Amiss, chief executive of Warwickshire, Lara's club, says gate receipts from crucial home matches are likely at least to double this year to £100,000. He says Lara's arrival added 900 members to the club, to take the total to 8,400.

The conversion of Brian Charles Lara, cricket sensation, into Brian Lara, earnings sensation, occurred over several years, according to his agent Mr Jonathan Barnett, director of Stellar Promotions.

Lara is the youngest of 11 children of a close-knit family from the village of Cantar, Trinidad. Barnett says Lara got his first cricket bat at the age of six from an older sister who had spotted an advertisement in a local newspaper for the Harvard Clinic, where children were



April, wearing a Joe Bloggs shirt, he approached Barnett about a deal. Lara wears the company's jeans and T-shirts exclusively whenever he wears casual clothing, and the company is marketing a line of shirts and trousers to capitalise on his batting score.

It was Barnett who initiated the deal with MAM. David Manasseh, Barnett's partner, said he spotted MAM's use of vivid sports imagery in the company's first-ever print advertising campaign and asked whether it would like a real sports superstar to promote its image. The answer was a resounding yes.

But despite the higher profile that Lara has brought to the game and to his sponsors, questions are being raised by sports commentators and other cricketers about the effect of the sponsorship contracts on his talent. He has been criticised in the press for taking out a mobile phone on the field, with commentators pointing out that one sponsor is a mobile phone company.

Such actions have not endeared him to his team-mates, and threaten to undermine the widespread public admiration for a man who, off the field, is widely described as modest, gracious and warm.

Ted Dexter, former England team captain and former head of the England Test Match Selectors, says: "Yes, there is such a thing as too much sponsorship. The fact is you can't just turn playing concentration on and off."

However, he says, Lara will have to learn how to juggle his interests, just like other leading sports figures such as Botham and David Gower. Dexter, who now heads a sports sponsorship firm bearing his name, is sympathetic. "Lara just wants financial security like the rest of us," he says.

Barnett dismisses the carping as "jealousy and naivete", and says that all Lara's sponsorship activities should not take up more than 14 days a year in total. He argues that cricketers generally suffer from a kind of collective public view - fostered by sports writers - that it is unseemly for them to earn large sums. He points out that the cricketers' union, the Cricketers' Association, is funded by the Test and County Cricket Board, the owners' association, a relationship which limits the players' ability to campaign aggressively for better pay and conditions.

But if Lara continues to break world records, public sentiment is likely to endorse every penny he earns. In April, he broke the world record for the highest score in a Test innings when, playing for the West Indies, he made 375 against England. In June, he hit a world record for a first-class innings, 501 for Warwickshire, against Durham. He is the first cricketer to hold both world records since Sir Donald Bradman, widely regarded as the greatest batsman of all time.

Whatever deals Lara does, he has already made history.

Norma Cohen and William Lewis

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FINANCIAL TIMES

It has been a week for fresh faces and new political images. We saw the broad smiles of the incoming members of the cabinet as they stepped into the sunlight from the door of 10 Downing Street. Then the delight of Mr Tony Blair as he was anointed the youngest-ever leader of the Labour party. Even Mr Paddy Ashdown got into the act by shuffling the portfolios of the Liberal Democrats' rather smaller political team.

There was talk at Westminster of new battle lines being drawn, of government and opposition parties marking out the ground on which they will fight the next general election. That may well be true. History may judge this week as the beginning of a new era in British politics. After all, who would have bet with any confidence three months ago that Mr John Major would look secure? And look secure at the very moment that Labour was choosing as its leader a 41-year-old public schoolboy committed to recasting socialism into social democracy?

There was the odd dramatic moment also. Mr John Patten's dismissal as education secretary had been widely predicted. But no one was quite sure whether Mr Major would in the end have the courage to wield the knife. Mr Patten was devastated.

Mr Blair's coronation likewise had been discounted. But the image of the young leader telling his party he now had a mandate to ditch its precious dogmas is one that will stick in the mind. So too will that of Mr Neil Kinnock, the man who rescued Labour from extinction a decade ago, looking on with the beaming satisfaction of a proud father.

But such moments mingled with palpable exhaustion. The politicians have fought themselves to a standstill. The electorate has looked on with undisguised disgust. Used car dealers, even journalists, attract more trust nowadays than political leaders.

Westminster is still disconnected from the real world. The pubs this weekend will not be buzzing with talk of Mr Jeremy Hanley's elevation to the Tory party chairmanship or of Mr Blair's promise of a crusade for change.

The voters are a shrewder bunch than the self-assured insiders who proclaim with absolute confidence that Mr Major is now safe, or that Mr Blair's middle-class accent guarantees Labour victory in two dozen of southern England's marginal constituencies.

Real people are still angry with Mr Major's government, very angry. But they will need convincing that a man who was barely out of university when Labour last governed Britain can do a better job.

Government and opposition face two more grinding years before a general election, which need not take place until the spring of 1997. As ministers and their opposition shadows prepared to clear their desks before heading for the beaches, you could almost feel them willing a summer of political peace.

They hope politics will remain on hold until they regroup in Bournemouth, Blackpool and Brighton for their autumn conferences. There will be time enough then to begin

## Wish they were there

MPs may be exhausted, but so is the British public, says Philip Stephens

persuading a wider world that things have changed.

Mr Major's government is battered, demoralised but most importantly still standing. The sensible people at the top of the government make no great claims for this week's extensive but uninspiring ministerial shake-out.

Journalists struggling to find a theme or a strategy were told not to waste their time. Reshuffles (with one or two spectacular exceptions) are not like that.

Mr Major's priority was competent government. The shake-up was designed to advance that cause by rewarding talent, punishing mistakes and putting round pegs into round holes.

It was also intended to ensure that the Tory MPs left Westminster with the notion that Mr Major had at last restored his grip. The Tory right might claim that it had done better out of the changes than the centre-left. Certainly the Thatcherites were happy with the appointment of Mr Michael Portillo to employment and Mr Jonathan Aitken as chief secretary.

But, as usual, Mr Major built in a raft of checks and balances. Mr Hanley, the unknown choice to run

the Conservatives' general election campaign, is a pro-European protégé of Mr Chris Patten, a former chairman and now governor of Hong Kong. Mr Kenneth Clarke, the centrist chancellor, still holds the economic policy levers.

The economy is Mr Major's best hope. The latest statistics confirmed it is growing quite fast. Inflation for the time being looks subdued. The recent pace of falls in unemployment is unlikely to be sustained, but those in work should begin to feel a bit more secure.

But the economy won't be enough. The government cannot risk another rock-roller boom of the sort that puts real money in the voters' pockets. Some time soon Mr Clarke is going to have to raise interest rates.

The chancellor is less certain than almost everyone else in the Tory party that the public finances will improve sufficiently to allow him to bribe the voters with large cuts in income tax in 1995 or 1996.

Mr Major needs a prospectus, a theme, something that will persuade the nation he has an interest beyond clinging to office. He has been searching for one almost from

the moment he entered Downing Street. But the Citizen's Charter will not do. Nor will Back to Basics. At this autumn's party conference, he needs to ignore the gimmicks and aim for both clarity and depth.

As for Mr Blair, so far he has not put a foot wrong. His promise this week was both to excite the electorate and to reassure them: excite them with the notion that Labour is the party of the change; reassure them with the promise it has abandoned its past. Almost unnoticed he borrowed a phrase from left-of-centre Toryism to encapsulate the message. We now have One Nation Socialism.

He is an attractive figure. The comparisons with Kennedy and Clinton are not as silly as they sound. He is much tougher than he looks: the sort of politician who leaves you feeling slightly uneasy as the depth of his ambition sinks in. And for the first time in living memory Labour has a leader who is shaping the framework of political debate.

Mr Blair is right to judge that Labour wins elections when it has a capacity to inspire the electorate. But despite the convincing nature of his victory (another powerful image was of the party's trade union paymasters relegated to the back of the hall as the result was announced), he must give substance to his philosophy. Voters can be enthused by ideas and by values. But they need policies to put them into context.

That leaves Mr Ashdown. It has been a dismal few weeks for the Liberal Democrats. The party's disappointing performance in the European elections last month has led the Westminster intelligentsia to write it off. Why should the middle managers of Basingstoke vote for Mr Ashdown, when Mr Blair is every bit as moderate?



It's an unfair assessment. The third party frequently has prospered alongside a Labour resur-

gence. But Mr Ashdown needs to carve out a more distinctive niche - and to abandon the fiction that his party could just as well do a post-election deal with the Conservatives as with Labour.

Such decisions though can wait. For now, Mr Major, Mr Blair and Mr Ashdown should pause to enjoy their summer break. They can be certain the voters will not miss them.

## Life with a frisky watchdog

Alison Smith on a bite back by UK financial services regulators

City of London watchdogs have been snapping with particular vigour this week. They almost seem to have been competing to see which could be toughest on the financial organisations they regulate.

Two household names - Nationwide Building Society and Barclays Life - have been bitten over the past few days, and there are rumours that others may become victims.

On Tuesday came the news that a visit from Lauto, the self-regulatory organisation for the life insurance industry, had led Nationwide, the UK's second-largest society, to bar temporarily its 1,000 financial services staff from giving financial advice.

The next day, the Securities and Investments Board, the City's chief regulator, gave a rare public rebuke to Barclays Life, the life and pensions arm of the high street bank, for shortcomings in the training and supervision of its 1,000-plus staff.

Such actions are signs of a toughening in regulators' attitudes towards the organisations they supervise, and have been welcomed by some of those who have previously criticised the watchdogs for being too lenient.

For instance, after Lauto's visit to Nationwide, Mr Stephen Locke, director of policy at the Consumers' Association, commented: "We're disappointed that the regulator did not do it earlier, but it's better late than never."

The irony is that the burst of disciplinary activity by Lauto - which has fined more organisations in the first half of this year than in either 1992 or 1993 - will not stop its being put to sleep next year.

Its successor, the Personal Investment Authority, began operations at the start of the week. The PIA was set up after a long debate about reforming a widely-criticised system in which regulation of retail financial services is split between Lauto and Fimbra, which supervises independent financial advisers. The division led to complaints of inconsistent standards.

Another criticism of the old regime was that the regulators were too close to the industry



they supervise. Such concerns were revived this week when a leaked memorandum about a Lauto inquiry into the selling by Prudential Corporation, the UK's largest life insurer, of personal pensions to people transferring out of occupational schemes, had suggested that Prudential was trying to influence its regulator.

But even though the arguments for reforming the old system remain compelling, the outbreak of activity by Lauto has highlighted two broad problem areas that mean the transition to the PIA is unlikely to be smooth:

First, by illustrating how even household names such as Barclays have got it wrong, the discipline imposed this week has reinforced widespread public concerns about standards of selling to private investors.

Second, it raises the question of whether the PIA, like Lauto which was set up in 1986, will take several years to become effective. Given the controversy it has already attracted, the new regulator could not afford such a delay: it has already been snubbed by Prudential - which exercised its right to be regulated directly by the SIB. Even some of the companies that applied to join the PIA believe it will not be

effective. If it fails to make its mark swiftly, a move to a full-blown statutory system of regulation is likely to return to the agenda.

The first of these two problems is the more serious, especially since the sector already has a reputation for being a bit of a mess. Mr Jim Stretton, deputy managing director of Standard Life, the UK's largest mutual insurer, believes the retail financial services industry is in a vicious circle: "Each fine, far from increasing public confidence that the system is working, awakens more suspicions in people's minds."

Similarly, Mr Philip Scott, the life and pensions general manager at Norwich Union, which received a record £300,000 fine from Lauto in April, says: "The danger with the way it's currently happening is that it loses a lot of confidence in an industry which is really needed."

There is a risk of people being frightened away from looking after their future. He is confident, however, that an effective regulatory regime is the long term answer to the industry's problems, even if that means short term discomfort for practitioners. For example, he believes that the PIA's application of Lauto's training standards, which

are seen as more stringent than those of Fimbra, across the industry will be important.

Many in the financial services industry also believe there will be benefits simply from having a different regulator able to make a fresh start and weed out organisations which do not meet the new, higher standards being set.

Other life company executives believe that the publicity surrounding disciplinary action has begun to make senior managers and directors pay detailed attention to meeting regulatory requirements. As Mr Steve Maran, chief executive of Lloyds Abbey Life, puts it: "My board wants to discuss compliance issues at every meeting."

Mr Gareth Marr, deputy chairman of Fimbra, believes that many in the industry have altered their attitude towards complying with regulatory requirements, but the difference will take a while to show. "They have learnt that they can't get away with it any more," he says, "but the change doesn't happen overnight."

That change in attitudes leads many executives in the industry to believe that, despite the uncertainties caused by the shift to a new regulator, the PIA will not face the same regulatory learning curve that both Lauto and Fimbra experienced. The PIA has already been tough enough to float the idea of imposing fines on individual board members of errant financial services companies.

Although the PIA is new, many of its staff come from the existing watchdogs. "The PIA has involved an enormous amount of people's energy but at least it has the benefit of staff who should be able to build on Lauto's work without losing too much momentum," says Mr Locke of the Consumers' Association.

But the PIA does not have much time. Mr Marr believes that it has only until the general election in 1996 or 1997 to prove itself effective, or find itself replaced by a statutory regulatory regime. As a watchdog, it must be a cross between rottweiler and greyhound.

## Lessons learnt the hard way

Robert Graham seeks explanations for Berlusconi's political troubles



Berlusconi: calmer, but talking revenge

It has been the week that Silvio Berlusconi lost his political virginity. For a man who has spent more than 35 years as a businessman and less than six months as a politician, it was always a possibility that the Italian prime minister's political inexperience would trip him up. But few imagined Mr Berlusconi could commit such elementary errors.

Trying to hurry through a clumsy reform of Italy's system of preventive detention, he brought his right-wing coalition government close to collapse. The situation was only saved by the withdrawal of the legislation at the expense of humiliating Mr Berlusconi.

"The question now is whether Berlusconi can learn from his mistakes and put the incident behind him," observed one of his supporters, who has been dismayed by the prime minister's recent performance. "His image and his self-confidence have taken a beating; but we can't tell yet whether he has been permanently knocked off-course."

Ironically, television, the medium which launched Mr Berlusconi, has become the instrument of his embarrassment. A man who can establish himself with extraordinary success in the public eye as a charmer and a winner, looks vulnerable when the smile disappears and political setbacks take their toll.

Television viewers have seen Mr Berlusconi oscillate between hurt pride, grim frustration and cold fury. He was even close to threatening his resignation in a nationwide television broadcast on Tuesday. The TV cameras were summoned to the prime minister's office but stood down at the last moment when Mr Umberto Bossi, the astute leader of the populist Northern League, promised to pull his party out of the coalition government if the broadcast went ahead.

Yesterday, in a calmer mood, Mr Berlusconi admitted he suffered from possessing too much self-confidence, hinting that an element of hubris had set in. But almost in the same breath he was talking revenge: "As of Monday, I'll be telling Italians the real story... You'll then see this affair will be booming for many people."

The warning seemed addressed not merely to the League, which shamelessly reneged on its cabinet endorsement of the preventive detention decree to enforce Mr Berlusconi. It was also aimed at the press, which this week sensed the prime minister's weakness and turned hostile after giving him a two month honeymoon. So far no one - neither Mr Berlusconi, his entourage, his coalition partners or his opponents - has come up with an adequate explanation for the prime minister's awkward behaviour.

After being in government only two months it seems improbable that Mr Berlusconi should have been in such a hurry to tackle the judiciary's abuses of their powers of arrest and imprisonment. It is also hard to understand how someone so

sensitive to public opinion would approve a decree that allowed out of prison businessmen and politicians who have become figures of hate for their involvement in large-scale corrupt practices.

Maybe the cabinet was unaware of these consequences and Mr Berlusconi focused on correcting the genuine excesses of the magistrates who have used imprisonment to extract confessions. Critics suggest Mr Berlusconi may have been concerned to protect his own Fininvest media empire from closer judicial inspection - though he would dismiss such claims as groundless. Yesterday's advance extracts from two weekly magazines, L'Espresso and Panorama, suggested the Milan magistrates who resigned in protest over the decree were investigating the links between a member of the Guardia di Finanza (the financial police) arrested in April on corruption charges, and Fininvest's tax department.

But even an element of self-interest does not fully explain an action which has caused Mr Berlusconi such discomfort. Part of his self-inflicted damage undoubtedly came from overestimating his skills

as a politician and a communicator in the wake of bathing in the international publicity of a successfully hosted G-7 summit.

A more complete explanation must come from the kind of advice the media magnate turned politician has been getting from his close circle of associates. Mr Berlusconi entered politics in January surrounded by a small group of friends who were all either directly or indirectly linked to Fininvest. They are still with him and have had to change from protecting Mr Berlusconi's interests as owner of Fininvest to looking after these interests as prime minister.

In any circumstances the metamorphosis from being courtiers and managers to executive politicians is a big adjustment. But to make this change at a time when Italy has seen its traditional parties collapse and complex decisions are needed on economic policy and reform of Italy's institutions requires a team of exceptional calibre. It is arguable whether they are up to the task. Few have direct political experience beyond this year. The group includes:

● Mr Gianni Letta, former editor of *Tempo*, the daily linked to the Rome Christian Democrats, and now the chief of staff in the prime minister's office. He joined Fininvest as Mr Berlusconi's "diplomatic" representative in Rome at the crucial moment in the late 1980s when he was lobbying for full commercial television licences.

● Mr Marcello Dell'Utri, the manager of Publitalia, Fininvest's advertising arm and friend of Mr Berlusconi's since student days. He was instrumental in encouraging Mr Berlusconi to enter politics and helped organise Forza Italia as a political movement through the Publitalia network.

● Mr Fidele Confalonieri, the chairman of Fininvest, another friend of student days who helped Mr Berlusconi found his business empire.

● Mr Cesare Previti, Mr Berlusconi's lawyer with a reputation as a successful intermediary between business and government who is now defence minister (Mr Berlusconi was talked out of making him justice minister).

If the government coalition were cohesive, Mr Berlusconi would probably have felt more comfortable with a larger circle. But the two main partners, the League and the neo-fascist MSI/National Alliance of Mr Gianfranco Fini, are constantly afraid they will become submerged by the force of Mr Berlusconi's personality and accumulated authority. This makes Mr Berlusconi wary of Mr Fini and openly mistrustful of the League.

As a result his kitchen cabinet, though by no means unanimous, has encouraged Mr Berlusconi to assert himself - hence his various confrontations with Mr Bossi that reached a climax this week.

If Mr Berlusconi wishes to survive, he may have to adopt a more collegiate approach to government. In this way, if the League challenge's him again, the blame for any public embarrassment could, unlike this week, be shared more evenly.

## The right time to improve financial services rules

From Mr S W Hand.

Sir, The decision of Mr Justice Lightman to dismiss the action for damages by Melton Medes against the Securities and Investments Board constitutes an important clarification of the regulator's powers.

However, the case is ironic for drawing attention to the inadequacy of SIB's powers under Section 179 of the Financial Services Act. This section is excessively restrictive in that it prevents the SIB from releasing prescribed information to private litigants ("customers" in financial services parlance) in the position of the plaintiff beneficiaries in the Melton Medes case, even if a court order had been obtained.

This issue gave rise to great concern among members of the social security committee when they were interviewing Prof Roy Goode in connection with the report of the pension law review committee. The report of the PLRC noted: "The ability of existing regulators to exchange information among themselves is severely handicapped by statutory restric-

tions on the use for one regulatory purpose of information obtained for another."

Prof Goode's committee recommended that such statutory restriction should be removed and the government has embraced this principle in its recent white paper.

However, this would not rectify the problem which relates not only to the exchange of information between regulators but also between regulators and private litigants. There is a clear need for legislation in this area empowering the courts to direct the release of information held by a regulator to any person the court deems appropriate.

Given that the government has recently published its white paper on pensions and is in the process of preparing the pensions bill, now would seem to be a good time to improve the interaction of regulatory rules and trust law principles. S W Hand.

specialist adviser, social security select committee, Dibb Lupton Broomhead, 125 London Wall, London EC2

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Sensibilities blunted by years of welfare

From Mr Dominic Hobson.

Regular readers of Joe Rogaly's column do not doubt that he is fired with the anger of the disinherited. He is right to remind us of the deterioration in the material conditions of the poor since 1978.

But in arguing that "The Tory right cannot easily persuade us that kindness, the essence of charity, figures in its calculations", he perpetuates the commonest fallacy of collectivist thinking.

Given that the government has recently published its white paper on pensions and is in the process of preparing the pensions bill, now would seem to be a good time to improve the interaction of regulatory rules and trust law principles. S W Hand.

specialist adviser, social security select committee, Dibb Lupton Broomhead, 125 London Wall, London EC2

The willingness of politicians to advocate the redistribution of the income and wealth of others, and of their supporters to vote for it, is not moral, nor kind, nor altruistic, nor charitable.

It is merely the coercion and expropriation of one section of the population by another.

"We can never have regard to the virtue of an action," as David Hume reminds us in *A Treatise of Human Nature*, "unless the action be anteced-

ently virtuous. No action can be virtuous, but so far as it proceeds from a virtuous motive."

In social welfare, the authentic moral choices are those which men and women make with their own time and money and not those which they are compelled to make by the state.

The virtuous do not merely abide by the law but exercise their moral faculties and personal judgment.

Unfortunately, the state now

takes such a large proportion of personal incomes, and monopolises so many aspects of welfare, that both the opportunity and the means of making personal moral choices have quite shrivelled up.

It is 50 years of the welfare state, not 15 years of Thatcherism, which has blunted our sensibilities.

Dominic Hobson, 62 Manchester Road, Battersea, London SW11 6AE

### Subsidies would create opportunities for apprentices

From Mr Alasdair MacConachie.

Sir, As a motor retailer and a private company, employing 75 technicians in our after-sales activity, I feel very strongly that if the government or Training and Enterprise Coun-

cils were to put more resources behind the training of apprentices, there would be great opportunity for training youngsters.

The motor trader apprentice scheme is regarded as one of the best available. Many of us,

however, cannot afford to invest as much as we would like in the development of young technicians.

If there was reasonable subsidy behind apprentice training I am sure you would see significant numbers of school leav-

ers being given an excellent opportunity. Alasdair MacConachie, managing director, Sherwoods, Chestnut Street, Darlington, Co Durham DL1 1RJ

## Focusing on successful technological innovation

From Mr John Dodd.

Sir, The article by Tom Forsanski, "When IT fails to measure up" and Guy de Jonquieres' argument against the benefits from investment in high technology, raise crucial issues.

One of the less well publicised results of the EU Corfu summit was the acceptance of the Bangemann report, the thrust of which is that rapid deployment of the "information society" is central to Europe's, and therefore the UK's, competitiveness.

At the heart of the issues being raised is the insufficient understanding by business managers of the implications of the technology they are using and technologists' lack of awareness of what they are developing and installing.

(This, incidentally, is one of the causes of the UK's ability to innovate but relative inability to capitalise on innovation.) The FEL, the trade association for the electronics industry, is stepping up its efforts to address these issues. Two

areas come to mind for action.

First, European and UK government sponsored research and development. Here, the focus continues to be heavily on new technological projects with less attention paid to the processes in the technical community which move projects to practical application. Virtually no attention is focused on the behavioural, management and social inhibitions to successful implementation.

Second, UK educational policy lacks those elements that will enable people to implement technology for business benefit and to understand the importance of creating value and commercial success.

If these are not the right issues we need to find those that are. We cannot afford to continue with either the reality or a perception that the millions poured into IT and other high technology is wasted. John Dodd, director, ICT, FEL, Russell Square House, 10-12 Russell Square, London WC1B 5EE

## COMPANY NEWS: UK

## From price war to bid battle?

Neil Buckley on the likelihood of J Sainsbury entering a fight for control of Wm Low

A counter-bid next week by J Sainsbury to Tesco's agreed bid for Wm Low, the Scottish supermarket group, is widely expected by the City, but some analysts remain doubtful that the UK's biggest food retailer will enter the fray.

Ever since Tesco, the UK number two, unveiled a recommended bid worth a total of £200m for the Scottish chain nine days ago, speculation has been rife about a bidding war.

Tesco's 25p a share bid values Wm Low at £154m, and it would assume debt of just over £50m. Low's shares closed up 3p at 265p yesterday, in the clear expectation that either Sainsbury would enter the game, or Tesco would be forced to raise what is now being seen as a low offer.

Wm Low, which has 57 stores and 6 per cent of the Scottish market, confirmed on Monday that it had responded to a request for information from Sainsbury.

Sainsbury might have been taking advantage of UK company regulations during takeover bids to gain information about a competitor. But the City has interpreted its silence this week as a sign it was weighing up a bid.

There are, however, two main reasons why Sainsbury might not make such a move. One is corporate culture. A hostile bid would be out of

## Argyll changes stockbroker

Argyll, the UK's third-largest grocery retailer, has replaced Warburg Securities with BZW as its stockbroker. BZW will be joint brokers with Panmure Gordon. No reason was given for the move. Argyll, however, has long been thought to be not entirely comfortable about Warburg also being broker to J Sainsbury.

character for a company that retains some of the ethos of a family business.

But while such a move might have been unthinkable for Lord Sainsbury of Preston Candover, the patrician former chairman, many analysts believe Mr David Sainsbury, his cousin and successor, would have few qualms - provided he thought it made commercial sense.

That is the second, and more likely, reason why Sainsbury might hold back. The group indicated strongly when announcing its results in May that the US was the likely venue for expansion. Rumours have been circulating this week that Sainsbury may be closer to making a US buy than previously thought, and may wish to save its money.

Set against that are strong commercial arguments for

expanding into Scotland which, unlike much of England, is under-provided with supermarkets.

Only Argyll, whose Safeway and Presto chains have 16.6 per cent of the Scottish market according to research group AGB, and Asda with 12.3 per cent, have a significant presence. Co-operative societies have 8.9 per cent, but small independent grocers dominate many areas.

Sainsbury, which has 4.6 per cent and until last year had only one superstore in Scotland, has firm intentions to expand there. Its first superstore in Edinburgh last year was one of its most successful openings in years.

But expansion has been difficult. It has been outbid by Safeway for two prime sites, and fought battles with Glasgow city council and Strathclyde regional council over planning permission for others.

Buying Wm Low would be a quick way of more than doubling Sainsbury's Scottish market share. The same logic, of course, attracted Tesco, which has a 7.1 per cent market share in Scotland.

Analysts believe either group could enhance the performance of Wm Low stores by cutting overheads and absorbing them into their business, and the purchase could add about 5 per cent to their pre-tax profits. Many believe Sainsbury has



David Sainsbury: any bid would have to make commercial sense

nothing to lose by bidding. Tesco's offer is seen to price Wm Low cheaply, with Bell Lawrie White, the Scottish broker, valuing its assets at 245p a share.

If Sainsbury were to be successful with a bid at 260p or 270p, the market would still consider that a good price. If Tesco responded by raising

its bid to 290p or 300p, Sainsbury would have the satisfaction of having forced its rival to pay an extra £60m. Alternatively, Sainsbury could launch a "knock-out" blow of 300p or more, to try to ensure victory.

"I can't see the downside for them in bidding," said one analyst. "They won't want to see Tesco get it on the cheap."

## Novopharm sues Glaxo in dispute over drug formula

By Daniel Green

Glaxo, Europe's biggest drugs company, was sued yesterday for \$300m (£194m) in potential lost sales and punitive damages by Novopharm, a Canadian company. Glaxo shares fell 14p to 574p.

Novopharm's action was an immediate response to a Glaxo suit alleging patent infringement by the Canadian company.

At stake are the \$1.9bn a year US sales of the world's biggest selling drug, Glaxo's ulcer treatment, Zantac.

The dispute centres on the fact that Zantac is protected by two patents, one that expires in the US at the end of 1995 and the other in 2002.

The two patents refer to slightly different forms of Zan-

tac's active ingredient, forms one and two. The Zantac Glaxo sells is based on form two. Novopharm wants to sell form one after 1995, but Glaxo says that the Novopharm product infringes form two patents.

By taking patent action under US law, Glaxo will delay the launch of Novopharm's drug by 30 months, well past the expiry of the form one patent. This would have the effect of extending the period during which Zantac is protected from competition and led yesterday to the statement by Mr Leslie Dan, Novopharm's chief executive, that "the action by Glaxo is totally frivolous".

Novopharm's countersuit "claims huge damages based on any potential loss of sales if the product is delayed in its

marketing beyond December 1995," said Mr Dan.

Glaxo said that the countersuit "was not unexpected" and reiterated its belief that it had a good case.

Two months ago, Glaxo took similar patent action against a subsidiary of Ciba, the Swiss drugs company which, like Novopharm, said it wanted to sell form one from 1996. Ciba did not counter sue.

Glaxo added yesterday that it had "discovered" that form one tablets were on sale in Denmark and New Zealand where the patents protecting Zantac are weaker. It is studying samples and looking for ways to invoke patent laws. It said it continued to believe that it was not possible yet to make form one without infringing form two patents.

## Failed bid throws spotlight on dual roles of Enterprise chief

By Peggy Hollinger

Mr Graham Hearne is expected by the end of the year to surrender his role as chief executive of Enterprise Oil, the independent oil company which earlier this month failed to take over rival explorer Lamsco with a controversial \$1.6bn bid.

Institutions are thought to be keen to take the opportunity presented by the failed bid to press Mr Hearne for an early division of his roles as chairman and chief executive.

Mr Hearne, who is to retire in three years at 60 - the company's normal retirement age

- had previously indicated he would relinquish one of the posts at some stage.

"If he had not tripped up he would have got away with it," said one investor. "Having tripped up, it is another story. Institutions are also thought to be strongly advocating that an outsider should fill the chief executive's post. This would appear to rule out Mr Michael Pink, the former Shell executive who was appointed as Enterprise's chief operating officer in May."

"It has to be an outsider to be meaningful," said one institution. "Everyone inside the company owes too much to too

many people to be really independent."

There was some speculation in the industry and the City that Mr Sam Laidlaw, managing director of Amerasia Hess, the US oil group, or Mr Lance Johnson of Mobil Oil could be possible candidates.

Mr Laidlaw yesterday refused to comment. He said, however, that speculation of an approach from Enterprise was "without foundation".

Mr Andrew Shilston, Enterprise's finance director, said the company had not had discussions with anyone regarding the chief executive's post.

## TT makes agreed £16m offer for Dale Electric

By David Wighton

Dale Electric, the North Yorkshire-based generator manufacturer, has agreed a £16m bid from TT Group, the acquisitive conglomerate.

TT's offer of 70p a share cash is recommended by the directors headed by Mr Iain Dale, chairman, who have accepted the terms for their 3.5 per cent holding. TT already owns a further 3.5 per cent.

Mr Dale expressed sadness that the company was giving up its independence after 59 years but said it needed to be part of a bigger group to survive in increasingly competitive international markets. "In the last 10 years we have not been able to offer consistency

of profits and the best way forward for the business is from within another group."

The company was founded in 1935 by Mr Dale's father Leonard, a milkman and cinema projectionist. After enjoying strong growth in the 1970s, Dale was hit hard by the recession in the early 1980s and more recently by the downturn in aviation markets and unfavourable exchange rates.

Dale's results for the year to May 1, released yesterday, showed sales down from £60.1m to \$48m, of which half were exports, and a pre-tax loss of \$4.15m (£1.34m profits). This was struck after £2.44m of exceptional charges and \$926,000 of interest.

The company returned to an

operating profit in the second half but is not paying a final dividend.

Mr John Newman, joint chief executive of TT, said he was happy that Dale's finances had been "cleaned up" and was confident that returns could be improved rapidly. He could not comment on prospects for the group's 700 employees but said: "Our intention is to grow the business."

In 1987 Dale fought off a bid worth 136p a share from Sunleigh and the shares reached a high of 147p in 1988. They closed at 61p, up 1p, yesterday before the bid was announced.

As an alternative to cash TT is offering one of its shares for every five Dale, valuing each at 70.2p.

## Warner Estate in deal with Merivale

By Peter Franklin

Warner Estate Holdings yesterday announced it was to take a 20.5 per cent stake in fellow property company, Merivale Moore.

The shareholding will result from the issue by Merivale to Warner of 3.5m new shares as part consideration for a 35m portfolio of commercial properties, typically high street shops, being purchased by Merivale.

The shares will be priced at 90p apiece or a sum equal to 90 per cent of the pro forma net asset value of Merivale at June 30, whichever is the lower. The balance of the consideration will be payable in cash.

Merivale has suffered two years of losses, but returned to the black in the half-year to

end-December 1993 with a pre-tax profit of £133,000.

The company has been following a strategy of disposing of low or non-income producing assets and concentrating on building investment income in higher yielding industrial and retail investments.

In May this year it sold its remaining two office buildings at Vision Park, Cambridge. This holding had dominated the portfolio, accounting for some 25 per cent by value while contributing just £250,000 of income in 1993-94.

Merivale now has a small exposure to property development and a limited involvement in the residential sector.

Merivale shares closed up 11p to 71p. Warner's shares were unchanged at 243p.

## Black Arrow dips to £1.6m

Reduced pre-tax profits of £1.6m, compared with £2.03m, were announced by Black Arrow Group for the 12 months to March 31.

However, last time there was an exceptional \$888,000 profit on a property disposal.

Turnover dipped to £19m (£20.4m) with the office furniture manufacturing, distribution and partitioning side contributing £17.9m (£18.5m), and leasing and installation finance £1.29m (£1.52m).

Mr Arnold Edward, chairman, said trading had improved during the latter part of the year and the upturn had continued into the first quarter.

Earnings per share slipped to 4.16p (5.02p) but the dividend is held at 2.6p with an increased final of 2.1p (1.6p).

## Jupiter fund management move

By Norma Cohen, Investments Correspondent

Jupiter Tyndall, the international fund management group, yesterday announced its widely-expected acquisition of Queen Anne's Gate Asset Management in a deal valued up to £10m cash.

Mr Charles Crowther and Mr Peter Adderson, directors of

QAGAM, will become directors of Jupiter.

QAGAM is the former fund management arm of the now privatised water companies; it has roughly £2bn in pension fund assets under management.

In the year to March 31 it achieved profits of £300,000 and had net assets of \$800,000. Although QAGAM has had

above-average performance, it has only a few - but very large - clients. Even the loss of one or two could have a significant negative effect on profits and it has been seeking a buyer for several months.

Jupiter's move is in line with its stated strategy of disposing of banking businesses to concentrate on expanding fund management activities.

## Lower exceptionals cut deficit at Ascot

Lower exceptional costs and reduced finance charges enabled Ascot Holdings, the property, pubs and hotels group formerly known as Control Securities, to cut pre-tax losses from £79.6m, restated for FRS 3, to £58.8m in the year to March 31.

Operating profits were £10.4m (£8.64m) including £2.43m (£2.49m) from discontinued activities, giving a 29 per cent increase on continuing operations. Net exceptional profits added £1.03m against costs of £58.1m, which took into account a £53.4m

deficit on the revaluation of fixed assets. Net finance charges were £18m (£30m).

Mr Howard Dyer, chairman, said trading in the first two months of the present year was on plan.

He added, however, that the company remained highly geared with negative net assets although borrowings were cut over the year from £233.5m to £241.4m. In addition, bondholders interest becomes payable from 1996 and the bank facilities remain on demand.

As a result the company is working on a financial restructuring. This follows a restructuring involving bondholders in June last year.

During the year there were 80 asset disposals as well as the sale of Belhaven Brewery and Heywood Business Park. Turnover was £77.9m (£80.1m) with £19.3m (£24m) from discontinued activities. Continuing operations showed an increase of 4.4 per cent. Losses per share were 2.1p (21.8p).

## Sycamore warns of write-offs

Sycamore Holdings, the loss-making office, hospital and garden furniture group, yesterday postponed its interim results and warned of substantial write-offs this year.

Its shares fell 1/2p to 1 1/2p. The announcement comes just three days after the resignation of non-executive director, Mr Michael Hutton.

The group said its bankers were reviewing the level of financing facilities in light of the expected provisions. Sycamore has been in discussions with its bankers since last year, when the value of net assets fell to less than half its called up share capital.

The results have been delayed pending a review of trading at Cygnet, a wholly owned subsidiary.

## London and Man

London and Manchester, the Exeter-based life assurance and financial services group, reported a 3.5 per cent rise in annual premiums for the half year to end-June. Corporate pensions business was up by 28.9 per cent.

New single premiums, excluding managed fund investments, rose by 3.9 per cent, but managed funds were lower.

## Greenfriar

Greenfriar Investment, part of the Henderson Touche Remnant stable of investment trusts, reported a net asset value of 444.7p per share as at June 30.

The figure compared with values of 491.5p at end-December and 438p at end-June 1993. The value per warrant was 110.7p, against 157.5p and 101p respectively.

Attributable revenue for the six months amounted to £378,000, against £470,000, for earnings of 3.28p (4.06p). The interim dividend is lifted to 2.2p (2.15p) and the directors intend to at least maintain the total for the year at 4.5p.

## Baring Tribune

Baring Tribune Investment Trust had a net asset value of 367.8p per share at June 30 - a year-on-year advance of 8 per cent, but a decline of 12 per cent since the trust's December year end.

The trust, which seeks long-term growth through an international portfolio, reported net revenue of £1.16m for the six month period, down from £1.78m last time. Earnings per share dipped to 2.36p (3.5p) but the interim dividend is maintained at 1.7p.

## Biotechnology Invs

Biotechnology Investments saw its net assets fall in the year to May by 10 per cent to £182m (£177m). Net asset value per share fell from \$3.46 to \$3.28.

However, this outperformed the biotechnology sector as a whole, which fell by 20 per cent over the same period, Lord Armstrong of Liminster, chairman, said.

The group, which is quoted on the London stock exchange, has most of its investments in the US and expresses its results in dollars.

## Buckingham

Buckingham International, the hotels and property group, has suffered another setback after the High Court made a £3.7m judgment against it.

The judgment arose out of the 1986 purchase of the World Wide Dryer business. Buckingham is considering an appeal.

Buckingham, which reported a pre-tax loss of £104m in the year to October 31 after substantial write-downs on properties in the UK and Portugal, is currently working through an asset disposal programme to reduce its £22.9m debt.

## Equitable Life

Equitable Life Assurance has purchased Direct Line's regional headquarters building in Leeds for £27m. The seller was the Leeds Permanent Building Society. The building is currently producing rental income of about £1.6m, with a

passing rent of £13.75 per sq ft. The office block, Direct Line House, comprises 90,000 sq ft of offices on nine upper floors, and an additional four shop units at ground level.

## W Canning

W Canning, the speciality chemicals and electronic components group, has sold its electronic component distribution division to its management.

The division, to be called Innovative Electronic Components Group, has a network of distribution companies in Italy, France and Germany, and will acquire Future Components, a UK distributor.

Finance of £19.5m is being provided for the deal, which is being backed by CINVen, the venture capital company, with NatWest Acquisition Finance providing senior debt and working capital.

## Abbey National

Abbey National Financial Services, the financial advisory subsidiary of Abbey National, has bought GM Benefit Consulting Group, the pensions consultancy, for an undisclosed sum.

Net assets of GM Benefit, a Guinness Mahon offshoot, were valued at £409,000 at May 31.



Fancy a tipple? John Hedderson, managing director, (left) with Tom Hedderson

## Gibbs Mew expands estate with £12.8m Centric buy

By Tim Burt

Gibbs Mew, the Salisbury-based regional brewer, yesterday accompanied sharply increased annual profits with the £12.8m acquisition of Centric, the Midlands pub group.

The all-paper transaction, involving the issue of up to 3.2m ordinary shares at 40p, will bring an additional 197 pubs into the group's estate, taking the total to 318.

The move follows six months of talks with Centric, which was only formed in 1992 when it purchased 173 pubs from Bass.

Mr Tom Hedderson, chairman, said the deal would enable the USM-quoted group to develop three core areas: brewing of traditional ales such as The Bishop's Tipple; warehouse distribution and estate management.

"We have no ambition to be a mega-brewer, but this acqui-

sition will allow us to continue with steady and comfortable growth," he added.

Gibbs Mew also moved to strengthen its balance sheet by announcing a £13.6m rights issue, which will be used to reduce borrowing. Gearing is expected to fall from 65 per cent to 50 per cent - equivalent to pro forma net borrowings of £20.4m - following the issue, in which existing shareholders will be offered 4.28m ordinary shares at 34p. The shares fell 7p to 39p yesterday.

The issue, underwritten by Samuel Montagu with Panmure Gordon as brokers, is being made on a 3-for-5 basis.

Once the acquisition and rights issue have been completed, the holding of the Gibbs family and current directors is expected to fall from 64 per cent to 35 per cent, while the shares issued to Centric will represent 23.1 per cent of the enlarged capital.

Steady volumes in Gibbs

Mew's west of England heartland and a full year's contribution from UK D, the wholesaler operation, helped pre-tax profits jump to £3.06m (£1.04m) restated for FRS 3 in the year to April 2.

The figures were flattered by lower interest charges and a £363,000 (£154,000) profit on the disposal of surplus properties.

Nevertheless, Mr Hedderson claimed that operating profits of £3.74m (£2.7m) on increased turnover of £33.9m (£29.7m) showed that the brewer had defied a 2.5 per cent decline in national beer volumes.

Earnings per share rose from a restated 15.35p to 33.51p and a final dividend of 5p makes a total of 8.75p (7.5p).

Centric, meanwhile, made pre-tax profits of £55,000 in the year to March 25, against losses of £1.18m. Before interest payments on bank and brewery loans, however, it made operating profits of £3.94m (£2.76m).

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baring Tribune	1.7	Sept 16	1.7	-	6.6
Black Arrow	2.1	Oct 3	1.6	-	2.6
Dale Electric	70p	Nov 1	-	-	5.1
Gibbs Mew	5	Oct 3	4.5	8.75	7.5
Greenfriar Inv	2.2	Sept 9	2.15	-	4.5
NetWest Smaller	2.3p	Sept 30	1.875	3.425	3
Smaller Cos IT	1.2	Oct 28	1.2	-	2.6

Dividends shown pence per share net. \$USM stock. \*Includes special 0.425.

## INTERNATIONAL COMPANIES AND FINANCE

## Apple's third quarter tops market expectations

By Louise Kehoe  
in San Francisco

Apple Computer yesterday reported higher-than-expected third-quarter earnings, as sales of its new "Power Macintosh" products introduced in March advanced strongly.

Third-quarter revenues were \$2.15bn, up 15 per cent on a year ago.

Net income for the quarter, before the effect of a one-time gain, was \$59.5m, or 50 cents a share. In the same period last year, Apple had earnings of \$10.6m, or 9 cents, before restructuring charges totalling \$320.9m.

Part of this charge was reversed in this year's third quarter, producing a gain of \$126.9m, or \$78.7m after tax. The company said it had modified and eliminated some

of its original restructuring plans due to lower-than-expected market conditions. These plans had included moving certain operations to new locations in the US.

Accounting for the effects of these items, net income for the quarter was \$138.1m, or \$1.16 a share, compared with a net loss of \$188.3m, or \$1.63, in the third quarter a year ago.

Apple said it shipped more than 200,000 of its Power Macintosh personal computers during the quarter, up from sales of 150,000 units in the second quarter.

"We are pleased to see industry support building around the Power Macintosh. More applications are arriving from software developers, and customer response to this new industry platform has been

very good," said Mr Michael Spindler, president and chief executive.

Increased sales of Power Macintosh, and the company's latest notebook computers, helped to drive gross margins up significantly in the quarter, to 36.7 per cent of sales from 24.0 per cent in the previous quarter.

"Over the last quarter we have improved our financial model, controlled our costs, and managed our working capital extremely well," said Mr Spindler.

For the first nine months of 1994, Apple reported revenues of \$6.7bn, up from \$5.8bn in the same period last year.

Net income after restructuring charges and reversals was \$195.2m, or \$1.65 a share, for the nine months, compared with \$83.9m, or 70 cents,

## Canal Plus, Bertelsmann in pay-TV joint venture

By Alice Rawsthorn  
in Paris and Judy Dempsey in Berlin

Canal Plus, the French television company, and Bertelsmann, the German publishing group, are to set up a joint venture aimed at tapping pay television services throughout Europe.

The companies, which will invest more than DM700m (\$446.5m) over the next three years, will also specialise in digital technology, and create a joint fund to buy programme and movie rights.

Canal Plus had a turnover of FF9.7bn (\$1.62bn) last year, and Bertelsmann, one of Germany's largest private investors in television, had a turnover of DM1.7bn.

The decision by Canal Plus to join forces with Bertelsmann comes at a difficult time for the French company. It was rocked earlier this year by the sudden resignation of Mr André Rousselet, its founder and chairman, following a row with Havas, the French media group and one of its main shareholders.

Mr Rousselet resigned after discovering that Havas had formed a coterie of Canal Plus shareholders to effectively control the company.

He claimed it was a covert attempt to prevent Canal Plus from operating as an independent entity.

This, he said, was because Canal Plus had been negotiating in the European multimedia field with foreign partners such as Bertelsmann, in preference to the French Telecom, the state-controlled telecommunications group allied to Havas.

St. Louis, the French sugar, paper and food group, is negotiating the acquisition of an additional stake in Spanish sugar group General Azucarera. Reuters reports from Paris.

## Mercedes-Benz plans shake-up of bus operations

By Christopher Parkes  
in Frankfurt

Mercedes-Benz is planning a shake-up of its loss-making European bus operations, involving job cuts and the merger of its interests into an independent business unit.

The new operation brings together separate divisions in Mannheim and Turkey. Kässbohrer will also be included if, as expected, Mercedes wins a takeover bid for the struggling group. The new company is due to start operating on January 1 next year.

According to Mr Helmut Werner, chairman of the Daimler-Benz vehicles subsidiary, Mercedes will decide whether to make a bid for the ULM-based Kässbohrer business next week. Although Sweden's Volvo is believed to have shown some interest in the group, best-known for the

Setra marque, Mercedes has been studying the feasibility of a takeover since April.

There have been rumblings of resistance from Mercedes' commercial vehicles works in Mannheim. However, Mr Werner says the workers' council would not, ultimately, obstruct the move, which would improve the long-term health of a sector which had been losing money for years.

However, the cartel authorities could throw up obstacles to the deal, which would give Mercedes a further 22 per cent of the German bus market, where it already has a 35 per cent share.

According to Mr Werner, a structural clear-out was needed in an industry plagued by overcapacity. The market was so tight that not all suppliers could maintain production at economic levels.

At a closed meeting of the



Helmut Werner: says structural clear-out is needed

Mannheim workforce earlier this month, union officials were reported to have said provisional plans to switch bus manufacturing and fitting-out operations between the Mercedes and Kässbohrer works could cost 2,000 of the

11,300 jobs in Mannheim. Mercedes says a takeover would imply the loss of 400 bus-making jobs. Talks are already under way on reducing the Mannheim workforce by 1,400, regardless of the Kässbohrer project.

## Westinghouse slips to \$75m

By Richard Tomkins  
in New York

Westinghouse Electric, the struggling US conglomerate, yesterday reported a fall in net income, to \$75m from \$84m, for the second quarter. Revenues were down from \$2.15bn to \$2.11bn.

Broadcasting, Thermo King, energy systems and WCI Communities were the only divisions to improve their contributions to operating profits.

Electronic systems, government and environmental services, power generation, Knoll and other businesses were all down.

Mr Mike Jordan, chairman and chief executive, said the results were slightly above expectations. He said the company would accelerate

its cost-reduction programmes as part of continuing efforts to improve overall performance.

In May, he predicted that growth in earnings per share would reach 15 to 20 per cent over the next three years.

Operating profits fell to \$154m from \$185m in the second quarter, giving an operating profit margin of 7.3 per cent compared with 8.6 per cent last time. Earnings per share fell to 16 cents from 20 cents.

For the first half, net income fell to \$111m from \$143m last time, before accounting changes.

Mr Jordan said employees had been reduced by 4 per cent - about 2,000 people - since the end of last December. "These costs will continue to come down significantly

throughout 1994 and 1995," he said.

Among the better-performing divisions, broadcasting benefited from low costs and improved pricing, with revenues up by \$10m and operating profits by \$3m.

Thermo King saw continued strength in North American truck and trailer markets, lifting revenues by \$37m and operating profits by \$3m.

Westinghouse Communities, the property development side, lifted revenues by \$25m to \$74m and operating profits by \$11m to \$24m.

Mr Jordan said: "We continue to study alternatives with respect to Communities in order to maximise its value. We will be able to reduce our debt by using the cashflow generated by this operation."

## Eramet completes share placement

By Kenneth Gooding,  
Mining Correspondent

The first step in the partial privatisation of French group Eramet, the world's biggest producer of ferro-nickel and high-speed steels, has been completed with the placing of

15 per cent with European investors, at FF250 a share. This values Eramet at FF2.7bn (\$690.3m).

No new money was raised by Eramet, because the shares came from its three French shareholders: ERAP, the state holding company; ELF Aquitaine, the oil and gas group; and IMetal, the Paris-based industrial holding company.

Mr Rambaud said Eramet still wanted to offer at least another 10 per cent of its shares, and to obtain a listing on the Paris bourse before the end of this year.

## Recovery under way, says chairman

Mercedes-Benz expects to boost passenger car deliveries by 15 per cent this year, regain lost ground in the US, and post a "considerably improved" result, according to Mr Helmut Werner, company chairman, writes Christopher Parkes.

The Daimler-Benz automotive division, which lost a net DM1.2bn (\$786m) last year, delivered 302,300 cars in the first six months of this year - an increase of 37 per cent, he said. Production rose 44 per cent.

The company did not have the capacity to increase deliveries further, Mr Werner said. In any case, Mercedes was now

planning capacity according to medium-term demand. It was not interested in costly attempts to match short-term trends.

Indicating progress in the group's restructuring and rationalisation programme, Mr Werner said Mercedes would make 588,000 cars this year with a workforce of 80,000. In 1991, a workforce of 100,000 built around 570,000 units.

Although progress would slow in the second half, the company now expected to deliver 585,000 cars during the year, compared with initial estimates of 570,000.

Figures for the first six

months were distorted by extraordinarily low sales figures in the comparable part of 1993. These were blamed on recession and customer delay in purchasing until the introduction of the new C-Class compact Mercedes in mid-year.

The group was enjoying special success in the US, where car sales had risen 98 per cent to 35,700 in the first half, and were expected to increase to 72,000 for the whole year. US volumes were now approaching those enjoyed in the "good years" of the 1980s, Mr Werner said. Meanwhile, both Mercedes and BMW had increased market share, while

their Japanese competitors had lost ground, he said.

The commercial vehicles business was also improving, although the German market remained sluggish. Total truck sales rose 12.7 per cent in the first half, and deliveries of vans were up 18 per cent.

Overseas assembly and manufacturing subsidiaries were doing particularly well. Conditions in the German vehicles market were underlined in official first-half statistics, released yesterday, showing total new car registrations up just 0.8 per cent on last year. Truck and van sales were down 2.5 per cent.

## Commerzbank looks to expand in S Africa

Commerzbank is considering buying a bank in South Africa, with a view to expanding its activities in the country, Mr Martin Kohlhaussen, chief executive, said, Reuters reports from Frankfurt.

The bank is considering enlarging its financial involve-

ment in South Africa by up to 50 per cent, he said.

With an exposure of more than DM1.6bn (\$1.02bn) in South Africa, Commerzbank was already more heavily involved than Germany's other big banks.

Its lending covers trade and

sovereign loans, as well as project financing in the steel, aluminium and power sectors.

Mr Kohlhaussen said the bank planned to establish an "operating unit" in the country, possibly before the end of this year. It would do this by

either buying a bank in which it would take over management, or by setting up a branch or subsidiary.

He said there were several small banks on the market which could be bought for between DM10m and DM20m.

## ADVERTISEMENT

## BUILDING SOCIETY INVESTMENT TERMS

Name of Society	Product	Access	Rate	Rate	Interest	Minimum	Access and other details	
Albion & Leicester	Special Edition	£25	7.25	5.40	5.40	£100	7.00%, 7.25%, 5.40%, 6.50% (one withdrawal of 10% of limit without pen. Rate variable 6.50%, 7.00%, 7.50% 28 days withdrawal limit, i.e. 5.00% (10.00% - 5.00%) instant access 4.15%, 5.65%, 6.50%, 7.50% etc.	
Barrow	Shelford House	7.00	7.00	5.25	5.25	£100,000	128 day notice or 90 day penalty.	
Birmingham Builders (0645) 738712	Greatest High Ltd.	6.35	6.25	4.49	4.74	£10,000	Instant access above £10K	
Bradford & Bingley	First Class Ltd.	6.75	6.75	5.84	5.06	£50,000	Instant access on penalty	
	Mastercard Special Asset	5.00	5.00	3.75	3.75	£5,000	Threat interest monthly income available	
	Mastercard Special Asset	6.00	6.00	4.50	4.50	£10,000	Threat interest monthly income available	
	Mastercard Special Asset	6.40	6.40	4.80	4.80	£10,000	Threat interest monthly income available	
	Mastercard Special Asset	6.70	6.70	5.63	5.63	£10,000	Threat interest monthly income available	
	High Return 10 Years	6.40	6.40	-	-	£10,000	Special Feature Account - 6.40% gross p.a.	
	Julian House	6.25	6.25	4.91	4.91	£10,000	90 Day Cash - 4.75% net	
Catholic (011-222 62367)	Conary (Edinburgh) (011 556 3711)	7.00	7.00	5.25	5.25	£100	Unwithdrawn Fund Rate	
	"Big Sisters"	5.00	5.00	5.25	5.25	£100	Instant Access, No Penalties	
	Oratory	5.00	-	-	1.20% p	1	Instant Access, No Penalties	
Chesham & Gloucester	The London Account	5.45	5.45	4.99	4.99	£10,000	Instant Access, No Penalties	
(0800 717595)	Best 10 (Closed Issue)	7.00	7.00	5.25	5.25	£10,000	Instant Access, No Penalties	
City & Metropolitan	Super 40	-	-	4.40	4.40	-	£10,000	Withdrawals at only 60 days notice. 5.00% from £10K.
Hallifax	Premier Xtra	-	7.00	5.25	-	£10,000	Gross rates include 0.25% annual gross bonus payable	
	Premier Xtra	-	6.25	5.06	-	£10,000	where no withdrawals occur, the withdrawal up to	
	Premier Xtra	-	6.50	4.88	-	£10,000	£10,000 per year, with £10,000 remains. Different interest rates	
	Premier Xtra	-	6.25	4.65	-	£10,000	apply to non-personal accounts (eg. cash, debt or charity etc)	
Leeds & Helland (0532 499312)	York	6.40	6.40	-	-	£10,000	90 days notice 2 months	
	Capital Bond	7.10	7.10	5.33	5.33	£10,000	50 days notice, 2 months	
	York	6.50	6.50	-	-	£10,000	90 days notice, 2 months	
Leeds Permanent (0532 430182)	Gold Access	5.15	5.15	3.66	3.66	£10,000	90 days notice, 2 months	
	Power Gold	7.00	7.00	5.25	5.25	£10,000	90 days notice, 2 months	
	Power Gold	6.00	6.00	5.33	5.33	£10,000	90 days notice, 2 months	
	Liquid Gold	5.10	5.10	3.63	3.63	£10,000	90 days notice, 2 months	
	Gold Gold	6.00	6.00	4.50	4.50	£10,000	90 days notice, 2 months	
	Solid Gold	5.00	5.00	4.20	4.20	£10,000	90 days notice, 2 months	
Meridian (0302 490821)	Gold Gold	7.00	7.00	5.25	5.25	£10,000	90 days notice, 2 months	
	Gold Gold	6.00	6.00	5.33	5.33	£10,000	90 days notice, 2 months	
Newcastle (0191 252 6676)	How Fast Special	5.10	5.10	3.63	3.63	£10,000	90 days notice, 2 months	
	New Star (New VET)	6.50	6.50	4.80	4.80	£10,000	90 days notice, 2 months	
	New Star	6.00	6.00	4.80	4.80	£10,000	90 days notice, 2 months	
North of England (011 511 0849)	Edinburgh 30	6.50	6.50	4.80	4.80	£10,000	90 days notice, 2 months	
	Account	6.00	6.00	4.50	4.50	£10,000	90 days notice, 2 months	
Northers Bank (0191 285 7791)	90 day Account	6.00	6.00	5.33	5.33	£10,000	90 day notice	
	90 day Account	6.45	6.45	4.80	4.80	£10,000	90 day notice	
	90 day Account	6.10	6.10	4.75	4.75	£10,000	90 day notice	
	90 day Account	6.10	6.10	4.50	4.50	£10,000	90 day notice	
	90 day Account	5.25	5.25	3.94	3.94	£10,000	90 day notice	
Portsmouth Channel Islands (0451) 822741/2	Gold Plus A/C	6.45	6.45	-	-	£10,000	90 day notice	
	Fixed Interest Bond	6.00	6.00	-	-	£10,000	90 day notice	
	York	6.75	6.75	-	-	£10,000	90 day notice	
Priority (0222 344188)	Keypoint by Post	7.00	7.00	5.25	5.25	£10,000	90 day notice	
Scotsworld (01223 346155)	Scotsworld by Post	6.25	6.25	3.94	3.94	£10,000	90 day notice	
Shelton (01756 798531)	3 High Street	6.10	6.10	4.50	4.50	£10,000	90 day notice	
	Young Services	8.50	8.50	6.30	6.30	£10,000	90 day notice	
Woolwich (0800 409000)	Premier 90 Account	7.30	7.30	5.40	5.40	£10,000	90 day notice	
	Premier 90 Account	7.00	7.00	5.25	5.25	£10,000	90 day notice	
	Premier 90 Account	6.75	6.75	5.06	5.06	£10,000	90 day notice	
	Premier 90 Account	6.50	6.50	4.80	4.80	£10,000	90 day notice	
	Premier 90 Account	5.75	5.75	4.23	4.23	£10,000	90 day notice	
	Premier 90 Account	5.50	5.50	4.00	4.00	£10,000	90 day notice	
Yorkshire (0800 378034)	Yorkshire Premier	6.40	6.40	-	-	£10,000	90 day notice	
	1st Class Account	6.50	6.50	4.80	4.80	£10,000	90 day notice	
	1st Class Account	6.25	6.25	4.60	4.60	£10,000	90 day notice	
	1st Class Account	5.95	5.95	4.40	4.40	£10,000	90 day notice	
	1st Class Account	5.80	5.80	4.35	4.35	£10,000	90 day notice	
	1st Class Account	5.65	5.65	4.10	4.10	£10,000	90 day notice	
	1st Class Account	1.45	1.45	1.00	1.00	£10,000	90 day notice	

## COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS  
Coffee down  
but frost  
fears remain

London coffee traders were yesterday ensuring that they would not catch a cold if there was another frost in Brazil over the weekend.

The selling that had driven the London Commodity Exchange's September robusta futures price down by more than \$350 a tonne dried up in mid-week and yesterday's close of \$3,640 was \$170 off the low.

Traders had not changed their minds about the market, however, they still thought a retracement justified after the recent spectacular surge to 8-year highs. The main reason for the buying was determination not to have to repeat the unglorified scramble for cover that followed this year's second damaging Brazilian frost two weeks ago.

No frost is predicted for this weekend, but traders were taking no chances. "If there's no frost then we could see \$50 on the downside next week," on the Reuters news agency.

"But if there is frost it's going to shoot up \$500."

Cocoa emerged from coffee's shadow at the LCE on Monday morning when the September futures position jumped more than \$40 to a 6½-year high of £11.13 a tonne. The move above £1,000 attracted sellers, however, as did subsequent forays. Only on Thursday did the price close above that level and by yesterday's close it was back to £1,082, up £24 overall.

Monday's move had been triggered three days earlier when New York cocoa futures shot up in last minute trading. As with most commodity price surges of late, investment fund buying was mainly responsible.

The bulls were not dismayed at their failure to break decisively through the \$1,000 barrier. "The fundamental picture is of continuing deficit with rising consumption, pointing to higher prices," one trader told Reuters. "The market

remains buoyant and we're seeing a consolidation phase," explained another.

At the London Metal Exchange copper's leap on Wednesday to a two-year high failed to inspire the other base metals markets.

Once again it was to investment fund buying that the three months delivery position's \$77.50 rise was attributed. Dealers suggested that the fund managers had tired of the palladium market, which they recently drove to a five-year high, and decided to turn their attention to another metal that would benefit from increased international economic activity.

The uptrend was not maintained, but the copper price did manage to consolidate above

the psychologically significant \$2,500 level. It closed yesterday at \$2,514.50 a tonne, up \$30.75 on the week but \$42.50 off the high.

In contrast to last week, when it reached a 39-month high and flirited with overhead resistance at \$1,530 a tonne for three months delivery, the aluminium market ended this week testing support above \$1,500 a tonne.

The market seemed to take little comfort from a pledge by the leading producing countries to maintain the voluntary agreement that is seeking to cut world production by up to 2m tonnes for two years.

Delegates at a meeting in Canberra heard that Russia, while contributing to the cut, albeit at a slower rate than it had agreed, was still exporting as much as ever, and this can have done little to bolster sentiment.

News yesterday of another big cut in LME warehouse stocks was ignored as the aluminium price fell \$22.50 to \$1,510 a tonne, down \$34.50 on the week.

Richard Mooney

## WEEKLY PRICE CHANGES

	Latest	Change	Year	1994
	price	on week	ago	Low
Gold per troy oz.	\$384.70	-0.50	\$379.50	\$368.50
Silver per troy oz.	\$344.40	+0.15	\$357.75	\$335.50
Aluminium 99.7% (cash)	\$1,483.00	-46.5	\$1,529.50	\$1,107.50
Copper Grade A (cash)	\$2,507.00	-36.0	\$1,916.5	\$2,507.00
Lead (cash)	\$1,010.00	-16	\$990.50	\$968.00
Nickel (cash)	\$1,617.50	-217.5	\$1,835.00	\$2,010.00
Zinc SHG (cash)	\$987.00	-19.0	\$967.50	\$900.5
Tin (cash)	\$2,038.00	-210	\$1,999.00	\$1,740.00
Cocoa Futures Sep	\$1,082.00	+24	\$1,058.00	\$850.00
Cocoa Futures Feb	\$1,082.00	+24	\$1,058.00	\$850.00
Sugar (LDP Raw)	\$303.40	+5.7	\$293.70	\$282.9
Barley Futures Nov	\$104.50	+2.50	\$104.00	\$102.00
Wheat Futures Nov	\$117.50	+2.50	\$115.00	\$112.00
Cotton Outcrop A index	\$1.50	+0.00	\$1.50	\$1.50
Wool (44 Super)	\$42.50	+4	\$48.00	\$42.00
Oil (Brent Blend)	\$17.81	-0.03	\$17.85	\$17.16

For notes on other markets, see p. 12. Prices are in US dollars unless otherwise stated. P = Pence; C = Cent; S = Spot.

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM 99.7% PURITY (5 per tonne)

Cash 5 mths

1482-4 1509-11

1502-6 1532-3

1480/1489 1527/1532

1514-15 1514-15

1489-90 1501-3

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## Precious Metals continued

■ GOLD COMEX (100 Troy oz; \$/troy oz.)

Sett. Day's price change High Low

Jul 194.0 -0.16 194.0 194.0

Aug 194.0 -0.16 194.0 194.0

Sep 194.0 -0.16 194.0 194.0

Oct 194.0 -0.16 194.0 194.0

Nov 194.0 -0.16 194.0 194.0

Dec 194.0 -0.16 194.0 194.0

Jan 194.0 -0.16 194.0 194.0

Feb 194.0 -0.16 194.0 194.0

Mar 194.0 -0.16 194.0 194.0

Apr 194.0 -0.16 194.0 194.0

May 194.0 -0.16 194.0 194.0

Jun 194.0 -0.16 194.0 194.0

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## CURRENCIES AND MONEY

## MARKETS REPORT

## Dollar rallies

The dollar continued its rally on foreign exchanges yesterday, assisted by an onslaught of verbal intervention from senior US administration officials, writes Philip Goult.

Mr Alan Greenspan, the Fed chairman, again reiterated the virtues of a stronger dollar, following similar comments earlier from Mr Lloyd Bentsen, the US treasury secretary.

The markets took cheer from this shift in sentiment, and the dollar closed in London at DM1.5555 against the D-Mark, well above the Thursday close of DM1.578, but off the high for the day of DM1.6085.

Against the yen it finished at ¥98.72, down from the high for the day of ¥99.14.

Dealers said some of the dollar's retreat could be attributed to market disappointment that Mr Greenspan had just repeated what he had said earlier in the week.

The stronger dollar pushed the D-Mark lower in Europe

against most currencies. Against the lira it finished at L292.6 from L297.5 on Thursday.

Starting also suffered at the hands of a stronger dollar, finishing at \$1.539 from \$1.5375.

The pound received some assistance from the UK 2nd quarter GDP estimate of 0.9 per cent growth. This was higher than the market forecast of 0.8 per cent.

## Pound in New York

	Jul 22	Jul 21	Jul 20
1 unit	1.5392	1.5375	1.5375
1/2 unit	1.5392	1.5375	1.5375
1/4 unit	1.5392	1.5375	1.5375

In the absence of statistical releases, the market was left to ponder more supportive talk for the dollar. After overnight comments from Mr Lloyd Bentsen, the US treasury secretary, that he believed "very strongly" in a strong dollar, Mr Greenspan reiterated his view

that a strong currency was in the national interest.

Mr Steve Hannah, head of research at IBI International in London, said a "180 degree policy reversal" from the administration had now been witnessed. Until very recently, senior administration officials were explicit in their opposition to higher rates.

Now Mr Bentsen and his deputy Mr Larry Summers are full-on for the need for a stronger dollar. But as Mr Hannah points out, this must mean that are prepared to accede to

the Fed tightening policy further.

Earlier this week Mr Greenspan indicated that a stronger dollar may be necessary to reverse inflation expectations, and that he would be prepared to raise rates further to achieve this.

Mr Hannah commented: "They have given the green light to Mr Greenspan - if you want to raise rates we will not stand in your way."

Analysts remain more bullish about the dollar's prospects against the D-Mark than

against the yen. Japan's large current account surplus and US/Japan trade frictions are seen as underpinning the yen.

German call money rose to 4.85/90 per cent from 4.75/85 per cent after the Bundesbank's decision to set the next four repo tenders at 4.85 per cent, compared to the current repo rate of 4.85 per cent.

The Bank of England provided UK money markets with £1.25bn assistance after clearing a shortage of £1.25bn. Overnight money traded

between 3% and 5% per cent. Volumes in the futures market were low with the December eurosterling contract trading only 11,670 lots to close unchanged at 93.91. The December eurodollar contract traded 44,527 lots to finish at 95.01 from 95.00.

## OTHER CURRENCIES

	Jul 22	Jul 21	Jul 20
1 unit	1.5392	1.5375	1.5375
1/2 unit	1.5392	1.5375	1.5375
1/4 unit	1.5392	1.5375	1.5375

## DOLLAR SPOT FORWARD AGAINST THE POUND

Three months		One year		Bank of
to 1934	%PA	to 1934	%PA	England
17.1883	0.4	-	-	114.4
50.2179	-0.3	50.2179	-0.1	118.1
9.5995	-0.9	1.5794	-0.7	115.7
3.9481	0.4	3.8306	0.1	109.5
2.4366	0.2	2.4158	0.9	125.2
-	-	-	-	-
1.0155	-0.5	1.019	-0.5	104.2
50.2179	-3.1	2492.94	-3.0	79.5
50.2179	-0.5	50.2179	-0.1	116.9
2.7357	0.9	2.718	0.6	120.1
10.8229	0.3	10.8193	0.1	86.3
54.2863	-7.8	-	-	-
30.359	-2.6	206.316	-2.1	86.4
12.0582	-0.4	12.2725	-2.4	73.6
2.0611	0.9	2.057	1.4	119.5
-	-	-	-	79.1
1.2766	-0.7	1.276	-0.3	-
-	-	-	-	-
-	-	-	-	-
2.1107	-1.0	2.1377	-1.5	86.2
-	-	-	-	-
1.5294	0.4	1.523	0.3	83.4
2.0626	0.2	2.0807	0.9	-
11.7986	-0.2	11.8069	-0.6	-
48.49.06	3.0	145.7	3.4	192.9
2.5956	-1.9	2.5581	-1.3	-

## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Telford system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 52(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. † Bargains done live previous day.

## Treasury Funds, etc

British 10% 2000-01-25 125 1/2

Edinburgh 10% 2000-01-25 115 1/2

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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Symbol	Price	Change	Volume	Open	High	Low	Close
IBM	142.20	+1.00	1,000,000	141.20	142.20	141.20	142.20
Microsoft	120.00	+2.00	500,000	118.00	120.00	118.00	120.00
Apple	100.00	+1.00	200,000	99.00	100.00	99.00	100.00
Amazon	180.00	+3.00	100,000	177.00	180.00	177.00	180.00
Google	280.00	+4.00	150,000	276.00	280.00	276.00	280.00
Facebook	150.00	+2.00	80,000	148.00	150.00	148.00	150.00
Twitter	40.00	+1.00	300,000	39.00	40.00	39.00	40.00
LinkedIn	20.00	+0.50	100,000	19.50	20.00	19.50	20.00
Slack	30.00	+1.00	50,000	29.00	30.00	29.00	30.00
Zoom	10.00	+0.20	200,000	9.80	10.00	9.80	10.00
Dropbox	15.00	+0.50	100,000	14.50	15.00	14.50	15.00
Spotify	12.00	+0.30	150,000	11.70	12.00	11.70	12.00
Netflix	350.00	+5.00	50,000	345.00	350.00	345.00	350.00
Amazon	180.00	+3.00	100,000	177.00	180.00	177.00	180.00
Google	280.00	+4.00	150,000	276.00	280.00	276.00	280.00
Facebook	150.00	+2.00	80,000	148.00	150.00	148.00	150.00
Twitter	40.00	+1.00	300,000	39.00	40.00	39.00	40.00
LinkedIn	20.00	+0.50	100,000	19.50	20.00	19.50	20.00
Slack	30.00	+1.00	50,000	29.00	30.00	29.00	30.00
Zoom	10.00	+0.20	200,000	9.80	10.00	9.80	10.00
Dropbox	15.00	+0.50	100,000	14.50	15.00	14.50	15.00
Spotify	12.00	+0.30	150,000	11.70	12.00	11.70	12.00
Netflix	350.00	+5.00	50,000	345.00	350.00	345.00	350.00

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Line	Time	From	To	Rate	Unit	Amount	Balance
1	10:00	1000	1000	1.00	1	1.00	1.00
2	10:00	1000	1000	1.00	1	1.00	1.00
3	10:00	1000	1000	1.00	1	1.00	1.00
4	10:00	1000	1000	1.00	1	1.00	1.00
5	10:00	1000	1000	1.00	1	1.00	1.00
6	10:00	1000	1000	1.00	1	1.00	1.00
7	10:00	1000	1000	1.00	1	1.00	1.00
8	10:00	1000	1000	1.00	1	1.00	1.00
9	10:00	1000	1000	1.00	1	1.00	1.00
10	10:00	1000	1000	1.00	1	1.00	1.00
11	10:00	1000	1000	1.00	1	1.00	1.00
12	10:00	1000	1000	1.00	1	1.00	1.00
13	10:00	1000	1000	1.00	1	1.00	1.00
14	10:00	1000	1000	1.00	1	1.00	1.00
15	10:00	1000	1000	1.00	1	1.00	1.00
16	10:00	1000	1000	1.00	1	1.00	1.00
17	10:00	1000	1000	1.00	1	1.00	1.00
18	10:00	1000	1000	1.00	1	1.00	1.00
19	10:00	1000	1000	1.00	1	1.00	1.00
20	10:00	1000	1000	1.00	1	1.00	1.00
21	10:00	1000	1000	1.00	1	1.00	1.00
22	10:00	1000	1000	1.00	1	1.00	1.00
23	10:00	1000	1000	1.00	1	1.00	1.00
24	10:00	1000	1000	1.00	1	1.00	1.00
25	10:00	1000	1000	1.00	1	1.00	1.00
26	10:00	1000	1000	1.00	1	1.00	1.00
27	10:00	1000	1000	1.00	1	1.00	1.00
28	10:00	1000	1000	1.00	1	1.00	1.00
29	10:00	1000	1000	1.00	1	1.00	1.00
30	10:00	1000	1000	1.00	1	1.00	1.00
31	10:00	1000	1000	1.00	1	1.00	1.00
32	10:00	1000	1000	1.00	1	1.00	1.00
33	10:00	1000	1000	1.00	1	1.00	1.00
34	10:00	1000	1000	1.00	1	1.00	1.00
35	10:00	1000	1000	1.00	1	1.00	1.00
36	10:00	1000	1000	1.00	1	1.00	1.00
37	10:00	1000	1000	1.00	1	1.00	1.00
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39	10:00	1000	1000	1.00	1	1.00	1.00
40	10:00	1000	1000	1.00	1	1.00	1.00
41	10:00	1000	1000	1.00	1	1.00	1.00
42	10:00	1000	1000	1.00	1	1.00	1.00
43	10:00	1000	1000	1.00	1	1.00	1.00
44	10:00	1000	1000	1.00	1	1.00	1.00
45	10:00	1000	1000	1.00	1	1.00	1.00
46	10:00	1000	1000	1.00	1	1.00	1.00
47	10:00	1000	1000	1.00	1	1.00	1.00
48	10:00	1000	1000	1.00	1	1.00	1.00
49	10:00	1000	1000	1.00	1	1.00	1.00

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Compiled with the assistance of Lautro SS

**INITIAL CHARGE:** Charge made on sale of units. Used to attract marketing and administrative costs, including commissions paid to brokers. The charge is included in the price of units.

**RED PRICES:** Also called *lease prices*. The prices at which units are sold to the general public.

**BID PRICES:** Also called *retail prices*. The prices at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The minimum return between the initial charge and the bid price. It is a formula that does not take into account the actual cost of the units.

**NET PRICES:** Net cost that managers give a much better estimate of the actual cost of the units and allows the cashout price. However, the net price is not the actual price paid by the managers at any time. It is only a circumstance to which there is a large margin.

**HISTORIC PRICING:** The letter F demands that the managers be held to the prices set on the most recent valuation. The managers are not allowed to change the prices and may not be the current market value of the units. The managers are not allowed to change the prices of the units. The managers must be held to the prices set on the most recent valuation at a future date.

**FORWARD PRICING:** The letter F demands that the managers be held to the prices set on the most recent valuation. The managers are not allowed to change the prices and may not be the current market value of the units. The managers must be held to the prices set on the most recent valuation at a future date.

**SCHEME PARTICIPANTS AND REPORTS:** The most recent report and scheme participants should be obtained from the managers and hand reports.

**TIME:** The time shown alongside the fund manager's name is the title of the first trust's valuation point unless otherwise stated. It is indicated by the symbol alongside the fund name and trust name. The symbols are as follows: (V) - 0001 to 1100 hours; (M) - 1101 to 1400 hours; (A) - 1401 to 1700 hours; (N) - 1701 to midnight.

Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

59 Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 145 New Oxford Street, London WC1A 1BN Tel: 071-373-0464.

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593
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**FT MANAGED FUNDS SERVICE**

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**NORTH AMERICA**  
UNITED STATES (Jul 22 / USS)

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	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583	582	581	580	579	578	577	576	575	574	573	572	571	570	569	568	567	566	565	564	563	562	561	560	559	558	557	5
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EurDts	11.70
Percol	141.50
Fancy	819.00
Friedel	5,100
Gilbert	420

Algeria	2,620																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
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[illegible]

60	9.58	
80	1.290	1.4
112	3.87	1.2
80	7.430	
10	1.593	

[illegible]

1. **Introduction**  
 2. **Background**  
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## INDICES

	1984						
	Jul 22	Jul 31	Jul 31	High	Low		
Argentina (C37/277)	NA	1865.157	1861.453	2547.60	16.2	1775.98	20.4
Australia							
All Ordinaries 1/1/80	3552.5	2049.2	2078.6	2248.80	3/2	1957.40	27.6
All Ordinaries 7/1/80	4115.8	1015.3	1025.6	1136.10	3/2	804.60	9.5
Austria							
Credit Anstalt 30/1/2/80	102.9	412.8	412.8	610.60	3/2	386.97	23.6
Bled Bank 3/1/81	107.15	107.35	107.95	1222.25	2/2	191.13	3.6
Belgium							
7/1/81/1	1433.05	NA	1428.51	1522.65	9/2	133.98	13/7
Brazil							
Banco 2/1/83	NA	4018.60	4038.60	4079.00	1/57	3800.80	3/1
Canada							
Money Index 4/1/79	NA	3640.48	3529.85	3678.90	18/3	2059.00	20.4
Money Index 7/1/79	NA	4172.00	4181.74	4533.00	23/3	3595.00	24.6
Prime 1/1/79	NA	1948.27	1957.77	2182.80	1/2	1653.17	3/07
Chile							
Pena Gen 31/1/2/80	NA	4301.2	4300.2	4867.80	2/2	391.20	4.4
Denmark							
Copenhagen 30/1/80	377.79	374.80	373.50	416.70	3/2	359.65	23.6
Finland							
HEI Helsinki 23/2/80	1834.9	1816.8	1817.5	1972.00	2/2	1691.10	3/1
France							
SP 250 31/1/1/80	1269.34	2852.65	1399.16	1590.30	2/2	1255.10	4/7
CAC 400 31/1/80	2041.41	2083.79	2043.72	2209.20	3/2	1898.38	4/7
Germany							
DAX 30/1/1/79	808.23	801.58	804.24	853.27	1/85	737.51	27.6
DAX 30/1/1/79	2201.37	2201.37	2201.37	2460.50	2/2	2148.38	27.6
DAX 30/1/80	2150.25	2113.30	2136.35	2211.11	1/95	1958.08	23.6
Greece							
Athens 30/1/1/80	828.71	826.54	830.91	1164.58	1/81	685.67	25.5
Hong Kong							
Hang Seng 31/1/80	9152.89	9117.88	9186.82	12201.95	4/1	8398.44	4.5
India							
BSE SENSEX 1/79	4113.3	4104.4	4110.8	4322.90	2/18	3454.00	3.7
Indonesia							
Jakarta Com 1/1/80/2	480.67	461.14	462.54	812.89	5/1	448.72	12/7
Israel							
Tel Aviv 30/1/1/80	1826.18	1821.28	1823.28	2002.10	2/10	1693.14	5/7
Italy							
Borsa Comm 30/1/1/80	730.35	730.31	716.50	871.10	4/5	688.65	1/61
Borsa Comm 4/1/79/4	1180.45	1180.61	1157.7	1310.80	1/95	944.00	1/01
Japan							
Nikkei 225 1/1/80/48	20424.85	20322.92	20384.76	21882.81	1/36	17398.74	4/1
Nikkei 300 1/1/80/1	280.35	289.35	302.32	317.13	13/6	268.22	4/1
Tokyo 4/1/80	187.58	187.58	186.48	211.71	13/8	146.87/31	4/1
Tokyo 30/1/80	240.10	238.57	237.55	252.62	5/7	172.53	4/1
Malaysia							
KLSE Composite 4/1/80	1000.18	998.37	997.72	1734.46	5/1	826.33	4/4

## US INDICES

[illegible]

Neodym	1.179
Oxide	1.37
Fluoride	1.690

[illegible]

WoodPt	4.89
Wtwth	2.85

ROUND 1000 (Jul 22 / H.L.G.)	
1	10.00
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95	10.00
96	10.00
97	10.00
98	10.00
99	10.00
100	10.00

ROUND 1000 (Jul 22 / H.L.G.)

MALAYSIA (Jul 22 / MYR)	
1	10.00
2	10.00
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4	10.00
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93	10.00
94	10.00
95	10.00
96	10.00
97	10.00
98	10.00
99	10.00
100	10.00



Mining - 500, Asbestos Traded, BEL20, HST Gen., MIB Gen., SP500, CAC40, Euro Top-100, ISPO Overall; Toronto Comp/Metals & Minerals - 500, ASX 200, JSE 400, S&P 500, Nikkei 225, Hang Seng, FTSE 100, NYSE AR Composite - 50 and Standard and Poor's - 10, 50  
 International - Toronto, (a) Closed, (b) Unavailable, T 185-DAX after-hours Index, Jse 22 - 2168.23, A21.49

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**INVESTMENT TRUSTS - Cont.**

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# FINANCIAL TIMES

Weekend July 23/July 24 1994

**MoDo**  
PULP, PAPER &  
PAPERBOARD

## Plutonium find adds to nuclear smuggling fears

By Jimmy Burns in London, Michael Lindemann in Bonn and Leyla Bouton in Moscow

The discovery in Germany of weapons grade plutonium, believed to have been smuggled in from Russia, has increased fears of a potentially dangerous proliferation of nuclear material emanating from the former Soviet republics.

In Bonn, Mr Bernd Schmidbauer, Chancellor Helmut Kohl's aide with responsibility for the intelligence services, described the discovery, the first time such material has been found in the west, as "dramatic".

In the US, one of the country's leading nuclear proliferation experts, Dr William Potter, a director of the Monterey Institute in California, warned that the find could be just the "tip of the iceberg" involving a growing business in illegally traded Soviet nuclear material.

One leading US scientist who has investigated the material said last night: "This discovery is

extraordinarily significant. It represents a change from the hypothetical to proof."

A senior European Union official yesterday confirmed that scientists had only recently established beyond doubt that six grammes of the nuclear material seized by German police at the beginning of May - a tenth of the total - was highly enriched plutonium-239.

The material was seized in a raid on a garage in Tengen in southern Germany, near the Swiss border.

Analysis of the material was finalised by scientists working for the European Commission at the end of June, leading to a flurry of behind-the-scenes diplomatic activity, straddling the US, western Europe and Russia.

The case was discussed at a special meeting of US, Russian and European law enforcement officials in Germany earlier this week. Last night, the Foreign Office said it was "following up" the case with the German authorities through the British embassy

in Bonn. In Moscow, a spokesman for the Russian external intelligence service denied the material originated from Russia.

However, Mr Wilhelm Gmelin, director of the EU Commission's Euratom Safeguards non-proliferation agency, said: "The data we have, suggests it is highly probable that the material was manufactured at a Russian military site."

He added: "Every bit of material has its own characteristics and in this case the characteristics show that it was produced at three possible sites in Russia."

US scientists, who together with police and western intelligence agencies have been monitoring the case, believe the material may have been smuggled out of the Kurchatov Atomic Energy Research Institute in Moscow or from a research site known as Sverdlovsk 44 in the Urals.

The German investigation is understood to have discovered unconfirmed intelligence that the seized material may have been on its way through a circuitous route to Iraq.

## Halifax and Allied Dunbar to join new regulator

By Alison Smith

Halifax Building Society and Allied Dunbar - the last significant organisations whose support for the Personal Investment Authority was in doubt - yesterday announced that they would sign up for the new regulator.

The news is a boost for the PIA, which has been the subject of intense controversy in the financial services industry. It began operations this week, replacing the existing regulators in a move intended to improve investor protection.

Despite the list of financial services companies which have expressed opposition to aspects of the regulatory change over the past few months, the move leaves Prudential Corporation, the UK's largest insurer, as the only large organisation to have insisted on its right to be regulated directly by the Securities and Investments Board, the chief City watchdog.

Statements from Halifax and Allied Dunbar show they still have serious doubts about the PIA's likely effectiveness, despite their applications to join.

Mr Mike Blackburn, Halifax chief executive, said the debate about whether the current system could deliver high standards of investor protection would continue. "For so long as it remains", however, the society believed that the PIA would stand a better chance of reaching the necessary standards with the support of Halifax.

Mr George Greener, chief executive of BAT's UK financial services operations, which include Allied Dunbar and the other subsidiary Eagle Star, said the companies were joining because there was more chance of influencing it from within. While he still had grave concerns about the structure and resources of the PIA, "we are where we are," he said.

While the PIA was careful yesterday to say only that it was treating the applications like any others, it will have been relieved to receive them.

Had Halifax or Allied Dunbar followed Prudential's announcement of its refusal to join the PIA in March, then the balance of the debate within the industry could have turned against the new regulator.

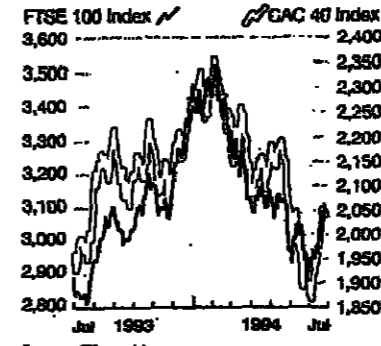
C&G leads on profit per customer, Page 4

## THE LEX COLUMN

### The sunlit uplands

FT-SE Index: 3114.7 (+19.6)

#### Equity markets



Source: FT graphics

the accompanying chart shows. Like the UK, worries about the pace of recovery have unnerved international bond investors. With long bond yields in France rising to 7.5 per cent and inflation falling to 1.5 per cent, the economy may be squeezed again. The French room for manoeuvre on short term rates has been strangled by the Bundesbank's latest moves.

Those high real interest rates may also point to a developing struggle for capital between private and public sectors. With unemployment remaining stubbornly high, the government's budget deficit can not be quickly cut. Political uncertainty ahead of next year's presidential elections will add an extra element of uncertainty. The French air traffic controllers' strike - disrupting the holiday migration - may presage unrest to come.

#### Stores

UK retailers like to believe they are the best in the world. The market clearly does not think the same. The mere threat of the US DIY chain, Home Depot, opening stores in the UK has caused something of a panic this week. It is easy to understand why. In its short history, Home Depot has been a highly aggressive operator. Its execution of everyday low pricing leaves UK imitators, such as B&Q, trailing in its wake. As yet, the threat appears remote: Home Depot will not quickly open stores across the country, but the UK DIY market is precariously balanced.

If it did establish itself, Home Depot would throw grit into the main engine of Kingfisher's growth. B&Q accounts for about a quarter of its profits. Lad-

broke's Texas chain could also be badly squeezed. But Boots and WH Smith, which together run the lacklustre Do It All chain, would appear to have the biggest problem. There is a need for further rationalisation in the mature industry even without Home Depot. There must be a suspicion that J. Sainsbury, which runs the small but perfectly-formed Homebase chain, may eventually be tempted to have a go.

Overseas entrants threaten to step up the competition in many other retail sectors, providing another reason to believe that some domestic retailers will struggle to grow. With consumer spending muted and inflation low, that makes it all the harder to understand why so many stores groups trade on the same multiples as they did back in their glory days.

#### UK banks

Three influences look set to dominate the clearing bank interim results season which kicks off with Lloyds Bank next week. Loan demand has stayed weak and the turmoil in the bond markets has depressed trading income. Those two factors will make for a lacklustre performance at the operating level. But thanks to the accelerating economic recovery, provisions will have fallen rapidly, perhaps on average by around a third from their collective level of £2.4bn in the first half of last year.

That will ensure a bounce in earnings and a substantial improvement in capital ratios. Even National Westminster could see its tier one ratio rising above 8 per cent. The generally accepted assumption is that the banks will use the opportunity to pay generous dividend increases. After all, surplus capital is a burden if there is little balance sheet growth. It might be better to pay some of it back rather than squander resources on a price war that currently promises little by way of volume growth.

The dividend decision is a delicate one, just the same. While fears of margin erosion due to price cutting are probably overdone for the present there will certainly be a fierce battle for market share once loan demand does eventually pick up. History shows this tends to happen at a later stage of recovery. Then banks will find their profits squeezed as they sacrifice return for volume. It will be awkward if they have meanwhile seen dividends so high that retained earnings are insufficient to finance balance sheet growth.

## US launches massive Rwanda aid operation

Continued from Page 1

Polluted drinking water there is believed to be responsible for the outbreak of cholera which, Mr Clinton said, was now claiming "one life every minute". The Pentagon would also provide 20m rehydration therapy packages for the refugees.

The US State Department was urging the United Nations to deploy a full peace keeping mission to Rwanda immediately. Mr Clinton said, adding that the US would make the formation of an "ethnically and politically balanced" government in Rwanda a condition of US diplomatic recognition.

The US president said the operation would cost "in excess of \$100m" (\$64.5m) and involve the deployment of a "moderate" number of US armed forces. A White House official said about 1,000 US troops drawn from Nato would take part in the relief operation.

● Launching a \$434m appeal for humanitarian aid for Rwanda yesterday, Mr Boutros Boutros Ghali, UN secretary-general, said in New York that nearly half the 7m population had fled their homes. He said the Security Council would be called into session within the next few days to establish a tribunal to try to punish those responsible for massacres in Rwanda.

● France yesterday ruled out keeping its troops in Rwanda beyond its self-imposed deadline of August 21, despite pressure from the US and the United Nations for Paris to extend its humanitarian mission there.

## Drug group 'quitting' Italy for Germany

By Paul Abrahams

Menarini, Italy's largest domestic drugs group, said yesterday it intended to transfer all manufacturing from Italy to Germany, as a protest against proposed government-imposed price cuts. The company flamboyantly revealed its threat by taking full-page advertisements in the Italian national press.

The disclosure was timed to coincide with a meeting of the Italian cabinet in Rome to discuss additional healthcare reforms. These could include drug price cuts of at least 6.5 per cent, although the health ministry is calling for a 10 per cent reduction.

"With this [proposed] price structure, the lowest in Europe, we have no chance of remaining competitive in Italy and so we are going," said Mr Lucia Aleotti, managing director. "I think other Italian companies will be forced to close or move."

Menarini said it was in negotiations with Italian unions about possible redundancies. The company employs nearly 3,000 people in Italy. Trade unions were angered by the newspaper announcement, and promised a

national strike in protest. They recognised Italian domestic pharmaceutical companies were being squeezed, but felt the company was not giving the full reasons for seeking to switch production. A consumers group threatened legal action against Menarini demanding it return government subsidies.

The group already has production facilities in Germany as part of efforts to reduce dependency on the Italian market. In 1992, it acquired Berlin Chemie, east Germany's biggest drugs maker.

Mr Aleotti blamed the decision on a series of healthcare reforms introduced in January by the Italian government which is grappling with a huge public sector deficit. The government plans to cut drug spending from £13,000bn (£5.4bn) in 1993 to £10,000bn this year.

The reforms were also introduced after the sector was shaken by a scandal involving payments to government officials in exchange for certain drugs to be reimbursed by the state. Charges of bribery were brought against Mr Alberto Aleotti, Menarini's chief executive and chairman. He vigorously denied the accusations.

## Mercury loses battle over BT's charges

Continued from Page 1

judicial interference. The decision to seek legal redress reflected Mercury's frustration at its inability to persuade OfTel to change the regulatory system in its favour. In recent months it has launched a strenuous campaign in the courts, the media

and with MPs to bring pressure to bear on Mr Cruickshank.

However, it has yet to achieve any success. Mr Cruickshank described recent Mercury claims as "shrill and unnecessary".

OfTel is reviewing aspects of the current interconnection regime, and will publish a consultation paper in the autumn. In

addition to capacity-based charging, Mercury is seeking to secure abolition of the special payments it has to pay BT as compensation for the losses BT makes on its local network.

Mercury describes the payments as a "tax on competition", a charge strongly denied by both OfTel and BT.

### British Isles

The UK and much of Ireland will continue calm because of high pressure over the North Sea. However, the sunshine will occasionally be interrupted by bands of cloud in southern England and in the Midlands. Sunny periods will be longest and most frequent in western Wales and in south-west Ireland. In northern and western Scotland, there may be fleeting showers. Temperatures will exceed 25C in south-east England, and stay above 20C in Scotland and Ireland.

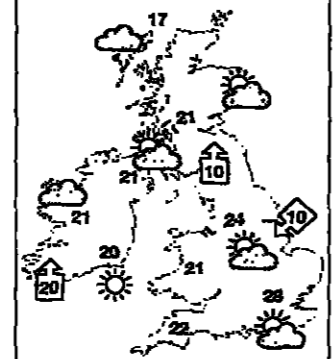
### Continent

It will remain warm throughout much of western Europe. Temperatures should reach 30C in Germany, the Low Countries, and virtually all of France. Searing heat will be confined to Spain, where it will be about 40C in the south. In central Europe, high pressure will bring plenty of sunshine and above normal temperatures. In the Balkans, the heat and humidity will lead to some heavy thundery showers, specifically in Bosnia and northern Greece.

### Five-day forecast

There will be little change on Sunday, though rain will move into Ireland and western Scotland. From Monday, a very warm air mass will move north from Spain to France and into Germany, lifting temperatures to around 30C or 35C. The heat will not abate before Wednesday.

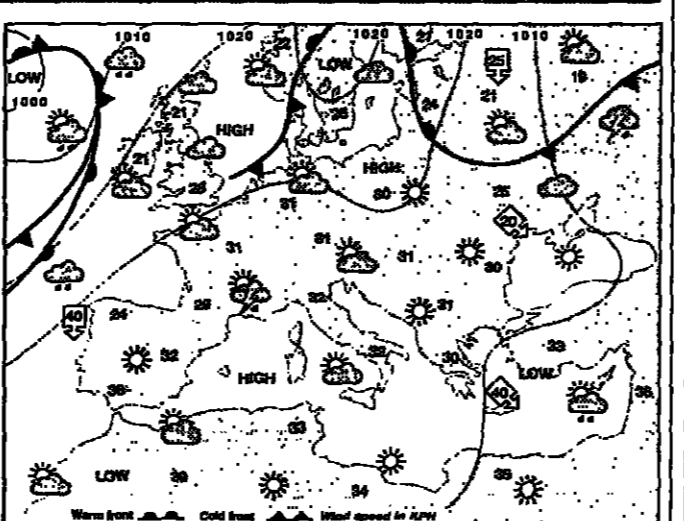
### FT WEATHER GUIDE



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteor Consult of the Netherlands

#### TODAY'S TEMPERATURES

	Maximum	Cape Town
Abu Dhabi	sun 38 101	fair 13 56
Accra	cloudy 27 81	cloudy 18 63
Algiers	sun 34 93	sun 23 74
Amsterdam	sun 29 84	sun 23 74
Athens	fair 32 90	sun 23 74
Atlanta	thund 33 92	sun 23 74
B. Aires	shower 12 54	sun 23 74
B. Ham	cloudy 28 79	sun 23 74
Bangkok	cloudy 35 95	sun 23 74
Barcelona	sun 28 83	sun 23 74
Belfast	cloudy 32 90	sun 23 74
Belgrade	fair 21 70	sun 23 74
Berlin	sun 31 88	sun 23 74
Bermuda	cloudy 29 84	sun 23 74
Bogota	shower 23 84	sun 23 74
Bombay	rain 29 84	sun 23 74
Brussels	sun 30 86	sun 23 74
Budapest	sun 31 88	sun 23 74
Chengdu	sun 29 78	sun 23 74
Cairo	sun 39 102	sun 23 74



fair 13 56	Jakarta	fair 31 88	Murich	sun 29 84
cloudy 18 63	Jersey	sun 22 72	Nairobi	fair 22 72
sun 23 74	Kuwait	cloudy 30 86	Naples	sun 32 90
sun 23 74	Las Palmas	sun 23 74	Nassau	sun 31 88
sun 23 74	L. Angeles	sun 25 77	New York	thund 29 84
sun 23 74	Manila	sun 28 83	Nice	fair 29 84
sun 23 74	Mexico City	sun 25 77	Niagara	sun 35 95
sun 23 74	Moscow	sun 23 74	Oslo	fair 25 77
sun 23 74	Mumbai	sun 23 74	Paris	fair 32 90
sun 23 74	Perth	sun 23 74	Perth	shower 18 65
sun 23 74	Prague	sun 23 74	Rangoon	rain 29 84
sun 23 74	Rangoon	rain 29 84	Rangoon	rain 29 84
sun 23 74	Reykjavik	fair 14 57	Rangoon	rain 29 84
sun 23 74	Rio	sun 23 74	Rangoon	rain 29 84
sun 23 74	Rome	sun 23 74	Rangoon	rain 29 84
sun 23 74	S. Frisco	sun 23 74	Rangoon	rain 29 84
sun 23 74	Seoul	sun 23 74	Rangoon	rain 29 84
sun 23 74	Singapore	sun 23 74	Rangoon	rain 29 84
sun 23 74	Stockholm	sun 23 74	Rangoon	rain 29 84
sun 23 74	Strasbourg	sun 23 74	Rangoon	rain 29 84
sun 23 74	Sydney	sun 23 74	Rangoon	rain 29 84
sun 23 74	Taipei	sun 23 74	Rangoon	rain 29 84
sun 23 74	Tokyo	sun 23 74	Rangoon	rain 29 84
sun 23 74	Toronto	sun 23 74	Rangoon	rain 29 84
sun 23 74	Vancouver	sun 23 74	Rangoon	rain 29 84
sun 23 74	Venice	sun 23 74	Rangoon	rain 29 84
sun 23 74	Vienna	sun 23 74	Rangoon	rain 29 84
sun 23 74	Warsaw	sun 23 74	Rangoon	rain 29 84
sun 23 74	Washington	sun 23 74	Rangoon	rain 29 84
sun 23 74	Wellington	sun 23 74	Rangoon	rain 29 84
sun 23 74	Winnipeg	sun 23 74	Rangoon	rain 29 84
sun 23 74	Zurich	sun 23 74	Rangoon	rain 29 84

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## Weekend FT

SECTION II

Weekend July 23/July 24 1994

## An Old Lady with new battles to face

As the Bank of England celebrates its tercentenary, John Plender considers its past links with the finance of war and speculates on its future

Are central bankers a good thing? A simple enough question, you might think, as the 300th birthday of the Old Lady of Threadneedle Street approaches. Yet, from the beginning, when the Bank of England's charter was sealed on July 27 1694, the debate has never failed to excite powerful passions.

Within a year, a pamphleteer was declaring that the competition provided by this fledgling institution had "almost crush'd several sorts of Blood-suckers, mere Vermin, Usurers and Grippers, Goldsmiths, Tally-jobbers, Exchequer Brokers and Knavish Money-Scriveners, and Pawn-Brokers, with their Twenty and Thirty per cent".

Then, as the charter renewal of 1709 loomed, another polemicist busily penned a tract entitled *Some Considerations against the Continuance of the Bank of England*. At 300 years' distance we can safely say that he failed to win the argument. And, of course, the concept of central banking, embracing the goal of price stability and the role of lender of last resort to the banking system, was unknown to people of the late 17th century.

In the 20th century the reputation of central bankers has waxed and waned - or, more accurately, waxed and waned. The Bank of England's heyday was in the four decades that preceded the first world war. Sterling was pre-eminent in a monetary system pegged to gold and the City of London financed the lion's share of world trade.

Then came Montagu Norman, whose autocratic reign as governor of the Bank from 1920 to 1944 incorporated the ill-fated return to the gold standard and the Depression. It was Norman's financial orthodoxy, and his opposition to Keynesian demand management in the 1930s, that gave central banking in Britain a bad name. Elsewhere, central banking conservatism was attracting similar opprobrium. Politicians sought to assert greater control over the dangerous and misguided people who brought us the slump.

Murder! Rape! Ransoming! Ransoming! was the caption on the celebrated Gillray cartoon of the Old Lady being wooed by William Pitt for her money. Where Pitt failed, the Labour chancellor Sir Stafford Cripps succeeded. In 1946 the Old Lady was not only raped, but subjected to the indignity of becoming a nationalised industry.

Political economy has since experienced a mood swing. There is a

new orthodoxy, and it states that while central bankers have been bad, politicians have been worse. Having taken over much of the central bankers' job, they created a devastating inflation that destroyed savings, distorted incentives and imposed a hidden tax on the people. And they have proved incapable of maintaining a stable international exchange rate regime.

In the first 250 years of the Bank of England's existence, inflation was largely associated with the financial stresses of war. Indeed, the Bank of England's initial *raison d'être* was to provide money for William of Orange's battle against the French and to tidy up the mess of unfunded public debt that remained after the three Anglo-Dutch wars.

War could always be financed on the basis that it was unlikely to go on for ever. Investors in government debt assumed that any deficit in the government's accounts would be temporary and would ultimately be made good. The striking feature of the surge in the general price level that came after 1945 is that it was the first great peacetime inflation since the Bank came into existence. The technique of deficit financing was applied to the huge and very untemporary apparatus of the modern welfare state.

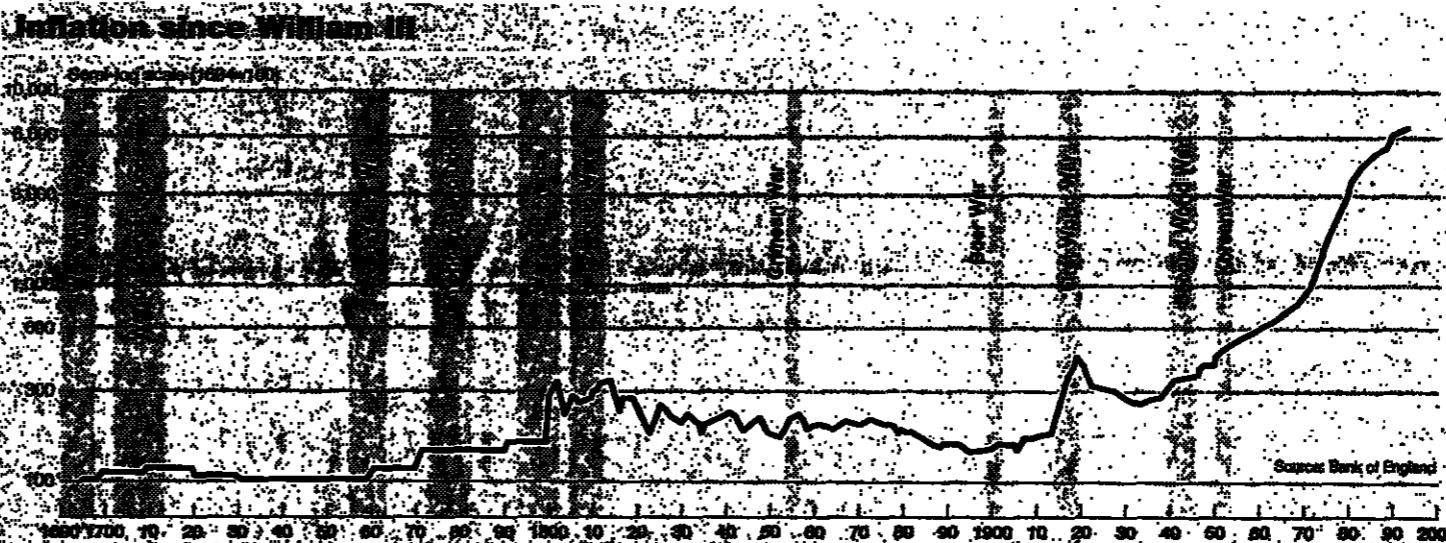
In the absence of a gold standard, or any other anchor for the monetary system, public sector deficits were not made good. They were monetised. In the vernacular, the government paid its bills by borrowing from the banking system, which is the modern equivalent of printing money. War Loan, the undated, archetypal government IOU, lost most of its value. Investors were swindled in a manner not seen since the Elizabethan period, as governments provided monetary accommodation not only for their own deficits, but for wage claims, oil shocks and the rest.

The result has been a relative revaluation of the central bankers' reputation. At a time when other nationalised industries have been privatised and downsized, more central banks have materialised in the global public sector. Their number has risen from 59 in 1950 to 151 at the start of this decade.

As Forrester Capie, Charles Goodhart and Norbert Schmidt put it in a monograph for the Bank of England tercentenary, which has been shamelessly plundered for parts of this article, "when a new nation state seeks to establish itself, the foundation of an independent central bank will be an early item on the agenda, slightly below the



Uccello's *The Rout of San Romano* in the National Gallery, London: The Bank of England's initial *raison d'être* was to provide money for war



design of the flag, but above the establishment of a national airline". Meantime, the managers of established central banks have demanded, and in some cases achieved, independence from government - this is the great new economic nostrum of the day, for

which officials at the Bank of England all too understandably yearn. And in the extraordinary case of Italy, central banking recently achieved its apotheosis. The head of the Banca d'Italia, Carlo Azeglio Ciampi, was elevated to the job of prime minister because

no politician was deemed sufficiently credible. The paradox here is that central bankers are flattered by the choice of comparison. They may be less corrupt than politicians. But their record, in those activities where they have retained freedom from

the politicians, is at best patchy. Many economists argue, for reasons that will be explored shortly, that central bankers are a threat to the taxpayer's health and should be dispensed with altogether. In practice, a place such as Hong Kong, where people enjoy higher per cap-

ita incomes than in the UK, has rubbed along remarkably well over the past four decades without the services of a formal central bank.

So the question is not merely whether central banks are a good thing, but whether they are so different from other commercial organisations that they are entitled to their exalted and protected status; and, more fundamentally, whether they are necessary at all.

The unique feature of the Bank of England, in 1694, was that it was the only public bank in Europe with the power to issue notes. A unique feature of central banks today is that they usually have a monopoly of the note issue. Yet there are some theorists, most notably the late Friedrich Hayek, who believe that the issuing task should be privatised and that all commercial banks should have the freedom to issue their own notes. The anti-inflationary logic is the opposite of Gresham's law: good bank notes that held their value would, in Hayek's view, drive out the bad notes from banks that over-issued.

Scottish banks continue to issue

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## Long View/Barry Riley

## Throgmorton throes



Last week the London Stock Exchange gained a new chairman, John Kemp-Welch. This week it made the switch to rolling settlement, initially over a leisurely 10 days, which is more like strolling settlement, but next year in five days and eventually just three. The venerable Throgmorton Street institution, for over 200 years a pillar of the City of London, along with the Lloyd's insurance market, is attempting to face the future but does it have one?

The latest changes tell us something about the pressures upon the exchange. Rolling settlement is a response to the requirements of international institutional investors, who like to trade on a standardised basis, in roughly the American style. The interests of domestic private investors are therefore being sidelined; speculators who have been accustomed to dealing within the account are instantly inconvenienced and the general public will find it hard to adjust to three-day settlement, when that eventually comes.

John Kemp-Welch's appointment is also significant. He has just retired as joint senior partner of Cazenove, London's leading corporate broker. Cazenove does have wealthy private clients, but it has been best known over many years as a somewhat rough and tough promoter of the interests of its many corporate clients.

Sir Anthony Hornby, a former senior partner, declared after a controversial 1980s dawn raid for a client company that equality among investors was an illusion. If someone decides more quickly, or has a better broker, this is not unfair.

It is hard to imagine that in the past a leading light of such an uncompromising prestigious firm could have become chairman of the exchange, when it was seeking to fulfil a broad public interest mandate. The chairman have tended instead to come from medium-sized firms, and from that more modest base have been better able to

pure consensus policies. But a different argument now seems to apply. Cazenove is the only big independent firm which is fundamentally committed to the London market place (apart, perhaps, from the market maker Smith New Court).

Most of the other main firms are parts of global investment banking operations which can (and do) belong to markets all over the world. Without Cazenove the London Stock Exchange would have an even bigger identity crisis.

In its recent history, dominated by the consequences of the "Big Bang" changes of 1986, the London Stock Exchange has reflected the long-term strengths and weaknesses of the City. Entrepreneurial and outward-looking London-based firms have seized opportunities for the international trading of equities and bonds that sleeper and domestically-oriented Continental bourses have been slow to recognise.

Meanwhile the planning of the back office technology has often been poor, leading to disaster in early 1988 when the expensive Taurus paperless settlement system was abandoned. Responsibility for its replacement, the simpler Crest, has been snatched away by the Bank of England; if settlement, once a core activity, is to be controlled elsewhere, can any of the exchange's activities, from price dissemination to control of listings, be sacrosanct?

Originally, the Stock Exchange thought electronic settlement was all about facilitating transactions, which of course is what its members make their living from. But the key issues have turned out to be those of holding rather than trading securities, and of maintaining contact between companies and shareholders. Taurus could not cope with the complex issues involved.

The rather less ambitious Crest will force others to make some of the choices. Crest could help drive a wedge between institutional and private investors, for instance, because small shareholdings will not be included except

through nominee accounts. The latter, in turn, tend to drive a wedge between companies and their small shareholders, unless the nominee arrangements are carefully and expensively designed.

This undermines the possibility that the Stock Exchange will be torn between the global firms (with their international clients) and the small companies and private clients of the domestic market place. There are precedents in the American markets, where the New York Stock Exchange lists the big companies, and is increasingly seeking foreign company listings, while thousands of small US companies are traded on the quite separate Nasdaq system.

Certainly, the London Stock Exchange is a popular market. Hundreds of companies have sought listings in the past year or two, admittedly at a favourable time of the cycle. To an extent, the market place will decide. Rival dealing systems are beginning to nibble at the central market. The power of the big London market makers, who were vastly profitable in last year's bull market, will be one of the biggest challenges for John Kemp-Welch. Money talks, and they have prospered mightily from the relatively opaque trading system, which makes it fairly easy to trade their way out of large positions. Investors, though, will tend to drift towards more transparent systems where they can find them.

Once, a lot of the problems could be solved within the framework of an effective monopoly over secondary share trading and a fixed commission structure. The holes could be plugged through cross-subsidisation.

Pierce international competition requires awkward decisions to be made, however. The exchange has already shed many of its activities, including private investor support and the professional regulation of market practitioners. The question, perhaps, is whether the viable core would still merit the name London Stock Exchange. But unlike Lloyd's it has at least retained its dignity.

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## MARKETS

## London

## A week of bread and circuses

Roderick Oram

The Conservatives delivered bread and circuses this week, their first double act in a long time.

First came the Cabinet shuffle which elevated to party chairman Jeremy Hanley, a man promising livelier leadership. He is well qualified. A son of show-business parents and a one-time child screen star, he is known as a good communicator and raconteur.

His first party political announcement came but a day later. The Labour Party had elected Tony Blair leader "for his looks, not his policies." Catchier quips could come later from the pen of Hanley's new deputy, Michael Dobbs, a political novelist with the double-edged billing as a "second Jeffrey Archer".

Then yesterday came the bread. Gross domestic product grew by 0.9 per cent during the second quarter, its fastest rate since the recovery began in the spring of 1992. Output is now 1.2 per cent above the pre-

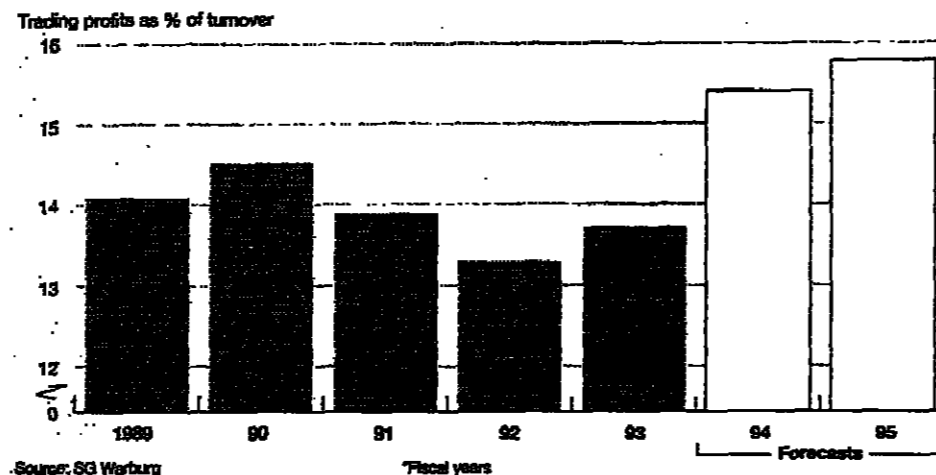
cession peak of four years ago. News earlier in the week of favourable consumer spending and government borrowing figures were better and jam.

With a strengthening dollar helping to stabilise European bond markets, gilts and equities savoured the good news. The FT-SE 100 index of the 100 largest UK companies rose four out of five days to end the week up a net 39.9 points at 3,114.7. The Footsie yesterday broke through the important resistance level of 3,100 and held the high ground.

Many in the market gleamed a degree of confidence in calmer medium-term trading from the comments of three central bankers. Alan Greenspan, of the US Federal Reserve Bank, and Eddie George, governor of the Bank of England, indicated that US and UK interest rates would have to rise later but not now to check inflation. Hans Tietmeyer, Bundesbank president, left open the possibility of German rate cuts later this year.

George, in the minutes of his

## FT-SE 100 margins



Source: SG Warburg

\*Preliminary

June 8 meeting with Chancellor Clarke released this week, indicated he was watching three main indicators of when price pressures would demand a rate increase: the rate of monetary growth; inflationary expectations; and cost increases particularly of labour. Monetary growth is "uncomfortably high" with the volume of cash and notes in circulation running 8.1 per cent higher over the last three months than a year earlier. The other two indicators are favourable.

But one other set of figures has been disquieting. Industrial raw material prices are running at an annual rate of about 10 per cent while the companies' output prices are only edging ahead at the general inflation level of just over 2 per cent. Surely margins, profits and dividends must be under pressure? If they are,

how can the market be looking for further growth in earnings to fuel the next rally?

S G Warburg Securities points out that profit margins were under equally dramatic pressure in late 1992 and early 1993. Raw material prices rose as sterling fell following departure from the ERM yet earnings per share rose substantially last year.

One explanation is that raw materials are typically only a third of total costs while labour costs, which have been much more subdued, account for a far higher share. Moreover, other costs, notably of money, have fallen sharply.

Some sectors, such as paper and packaging, have enjoyed improved margins thanks to better trading conditions as witnessed by the results of David S Smith Holdings this week. Pre-tax profits for the year to April were up 56 per cent to £42.2m.

Aerospace (up 233 per cent). The worst performers are equally mixed. Mature utilities facing increasing competition and the tightening of regulatory screws are among the weaker stocks. British Telecommunications' 1993 margin is forecast to fall 13 per cent from its 1992-93 average while British Gas's will drop 11 per cent.

Consumer stocks are some of the most adversely affected given the tough pricing environment in which they operate. Food manufacturers and retailers are particularly vulnerable. Shoprite, a Scottish discount grocer far too small to be a Footsie stock on Warburg's list, testified to the trauma on Thursday. Its second profits warning in two months halved its share price to 30p. It had peaked in February at 245p. It has cut its costs and stabilised its margins but it cannot generate adequate turnover.

One Footsie retailer Warburg does identify is Argyl Group, the Safeway supermarket chain. It forecasts Argyl's margin will be 8 per cent lower next year than the group's five-year average. The trading news from Argyl this week was more positive than that. Sir Alistair Grant, its chairman, told the agn that first quarter like-for-like sales and pre-tax profits were ahead of last year's. Similarly, Sir Christopher Benson, at Boots agn, could speak of better sales in all divisions except DIY.

Shareholders at neither agn were happy. Complaints from them about the impressive bread executives had made turned both meetings into a bit of a circus.

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## Serious Money

## Advisers who want their cake up front

Gillian O'Connor, personal finance editor

What is worrying about the life insurance industry is not just its faults but its attitude. The most obvious faults are failure to train or check up on sales staff.

Barclays and Nationwide are the two latest big names to be damned for bad training of sales staff - the very problem that earlier caused Norwich Union to pull all its salesmen off the streets and put them back in the classroom. Lack of proper control systems was the sin at Legal and General and Comhail.

Bad, but not really that surprising the criticisms merely confirm what the public had suspected already. And perhaps the companies will repent and amend their ways.

More disquieting is a recent survey by Sun Life asking independent financial advisers what commission structure they would like in future - ie, when disclosure becomes compulsory in January. It is hard to believe that the public will continue happily to buy life insurance when they realise quite how big the commission bite is, particularly at the start of a policy.

Sun Life, for its part, disclaims any intention of trying to force a change in commission structures. It reckons the decision is up to the advisers, since they are the ones who will have to sell the policies. No worries about what will happen if they fail. Impotence or complacency run mad?

"Queen Jupiter vult perire, demerit prius."

First catch your phoenix. Extraordinarily good fund managers, such as Warren Buffett and Peter Lynch, do exist. But they are very rare and very hard to identify without hindsight. So, why not abandon the futile search and settle for something that is attainable - an index fund?

This is one of the main messages of a splendid American book called *Bogle on Mutual Funds*. (These are the US equivalent of unit trusts). And what is so disarming about this particular messenger is that the author, John Bogle, runs a \$100bn mutual fund business called Vanguard, renowned for its rock-bottom management fees.

Index funds, also known as tracker funds or passive investment funds, follow a particular stock market index - such as the FT-SE-A All-Share Index - by investing in a bunch of shares selected statistically to mimic the index, rather than beat it.

Mimicking the index sounds a distinctly wimpy ambition. Surely real fund managers beat indexes - or die in the attempt?

The trouble is that most fail but soldier on. If you take account of costs, only one in five funds beat the market, says Bogle. And "...it is certain that passive investment strategies have, will, and must, outperform active investment strategies in the aggregate".

So, why are index funds still in a minority? Three reasons. First, indexing is counterintuitive: most people feel safer in a train with a driver.

Second, investment advisers and managers make less from index funds than from actively managed funds; commissions and charges are lower. Third, hope springs eternal. Fortunate investors brag about their success; others envy and attempt to emulate.

If you are humble enough to settle for an index fund, which should you choose? Even low charges make a slight dent in performance and mean that all index funds are likely to do slightly worse than the index they mimic. But go for the index fund with the lowest expense ratio, and never pick one with a front-end charge, says Bogle.

The only UK tracker fund with no initial charge is Gartmore UK, which also has an annual charge of only 0.5 per cent. It has a good and consistent performance record.

## HIGHLIGHTS OF THE WEEK

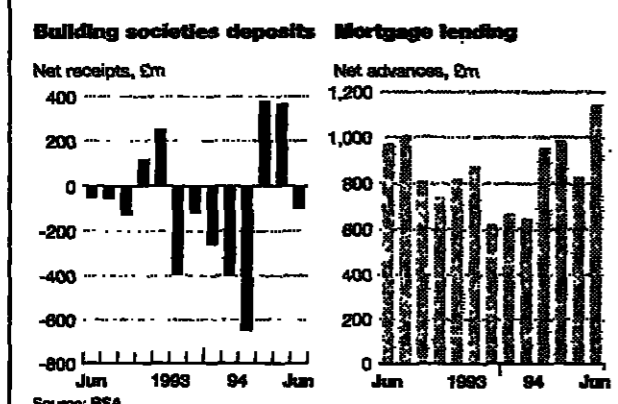
	Price	Change	1994	1994	
	Ytd	on week	High	Low	
FT-SE 100 Index	3114.7	+39.9	3520.3	2876.8	Dollar improvement
FT-SE Mid 250 Index	3630.8	+79.8	4152.8	3363.4	Capital goods stocks bought
British Aerospace	512	+19	584	390	Switch from Rolls-Royce
Celltech	211	+19	233	181	Merck collaboration
Courtauld	530	+20	580	467	Well-received agm
Kingfisher	509	-25	778	477	Competition concerns
Mirror Group	140	-12	203	123	Smith New Court downgrade
National Express	330	+26	330	245	E Mid airport traffic fogs
Royal Insurance	263	+16	350	232½	Credit Lyonnais recommends
Shell Transport	742	+32	755	651	Shellton sale hopes
Smith (David S)	547	+24	573	388	Better than expected figures
3i	291	+19	295	280	Successful flotation
Tomkins	232	+8	283	213	Broker's recommendations
VSEL	895	+37	1093	816	Likely demise of Swan Hunter

\* Change based on issue price

## AT A GLANCE

## Finance and the Family Index

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## Outflow of retail funds from building societies

Building societies experienced an outflow of retail funds last month after two months of net inflows, indicating that savers are either spending their money or putting it into other investments. Net outflows amounted to £104m according to the Building Societies' Association.

At the same time, new mortgage lending rose sharply last month to reach its highest level for almost two years. Net new lending totalled £1,140m in June, an increase of 38 per cent on May, and higher than the £976m recorded in June last year. Adrian Coles, director-general of the BSA, said that while the figures suggested a more positive view of the housing market than others recently published, the market continued to be uncertain.

## Inland Revenue's pledge

Slow service from the Inland Revenue should become a thing of the past if new targets are met. The IR's tax and collection offices have announced their intention to deal with every aspect of people's tax affairs correctly first time; answer telephone calls in 30 seconds; deal with repayment claims within 42 days during the peak period from April to September; and within 28 days at other times. Offices should be open for telephone calls and visitors at least 40 hours a week. Existing targets include replying to correspondence within 28 days, and attending to callers at tax inquiry centres within 15 minutes.

## Tax breaks explained

New tax breaks for investing in start-up companies are explained in a guide to the Enterprise Investment Scheme, published this week by the Department of Trade and Industry.

The EIS was introduced in the last budget as a successor to the Business Expansion Scheme (BES), which gave investors substantial tax relief for investing in start-up businesses. Rules for the EIS differ from the BES in a number of aspects. Copies of the guide can be obtained free from the DTI Small Firms Publications, PO Box 1143, London, W3 8EQ. Tel: 081-896 2116.

## Smaller company shares perk up

Smaller company shares perked up a little this week. The Hoare Govett Smaller Companies Index (capital gains version) climbed 1.4 per cent to 1638.96 over the week to July 21, after a smaller rise the previous week.

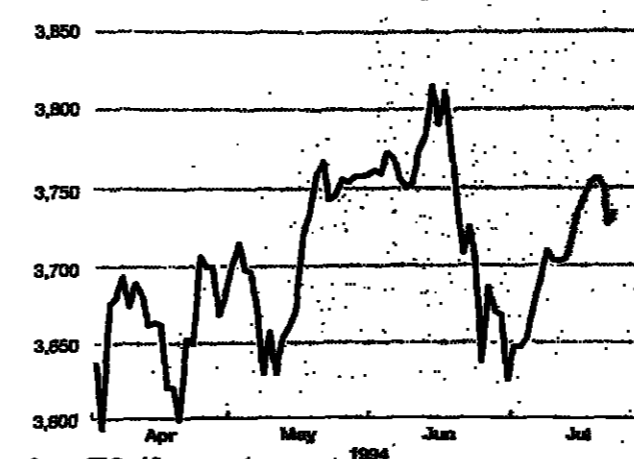
## Next week's finance and the family

The peak buying season for new cars starts in just over a week, with the arrival of M-registration plates. We guide you through the different ways of paying for and insuring your new car.

## Wall Street

## Soaring earnings fail to impress investors

## Dow Jones Industrial Average



Source: FT Graphite

possible easing off in the sales growth of its core database products, and United Technologies suffered from signs of moderate sales weakness in two of its divisions.

Admittedly, there is nothing new in this type of reaction - the most basic theory of investing says that earnings news is always old news, and that share prices should be driven more by expectations of future, not announcements of past, performance. But investors seem to have been especially harsh on stocks in this reporting season.

The most likely explanation is a broader underlying current of concern about the economy as a whole. Although it has been growing more rapidly than expected this year, most Wall Street analysts believe it will slow down in

the second half and beyond as the impact of higher interest rates begins to bite. And if economic growth is about to slow, that means sales of computers, cars, washing machines, and much more, are likely to do the same, spelling bad news for US companies.

Yet, the fear that economic growth is going to slacken does not necessarily have to be an entirely negative influence on share prices. The stock market has had a difficult 1994, mostly because of the sharp, and unanticipated, rise in long-term interest rates since early February. Rates have been climbing steadily from historic lows because the bond market is worried that the rapidly-expanding economy will lead to higher inflation.

If, however, economic growth is about to slow down, anxiety about inflation should begin to ease, allowing interest rates to come down and share prices to go up.

The bullish stock market forecasters on Wall Street who are predicting modest, low-inflation economic growth and a second-half rally in stocks substantial enough to push the

Dow Jones Industrial Average over 4,000 for the first time, certainly believe in this rosy scenario. The only problem is, their confidence is not shared by the person that matters most - Federal Reserve chairman Alan Greenspan.

Giving his semi-annual Humphrey-Hawkins testimony before Congress this week, Greenspan said he remained concerned about rising prices (particularly in view of the recent decline in the dollar against the yen and D-mark), and warned that further increases in short-term interest rates might be required.

The warning was enough to knock almost a full point off the price of a 30-year Treasury bond and 30 points off the Dow. Greenspan's threat of higher rates also is likely to keep a lid on share prices for the rest of the summer, no matter how good quarterly earnings prove to be.

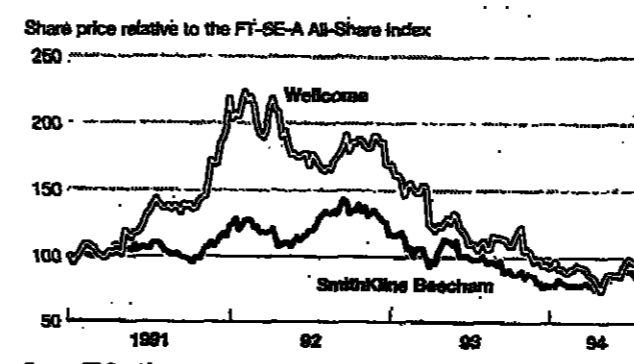
Patrick Harverson

Monday	3785.43	+ 01.63
Tuesday	3748.31	- 07.13
Wednesday	3727.27	- 21.04
Thursday	3742.45	+ 05.18
Friday		

## Bottom Line

## A welcome from investors

## Wellcome/SmithKline Beecham



Source: FT Graphite

Barry, Wellcome's newly-appointed director of research, development and medical, pointed to the details on Famvir's US package insert, describing the effectiveness and risks associated with the drug.

Rather than Famvir, the biggest threat to Zovirax is its patent position. Its patents in Germany have already expired, and those in the US and UK end in 1997.

Robb admits he cannot duck this. But he has a defence strategy in place. The first element is a joint-venture with

Warner-Lambert, one of the most powerful US non-prescription medicines groups, to market the product over the counter. This should significantly extend Zovirax's product life, generating additional revenues, admittedly at a lower margin than in the prescription market.

In addition, this month, Wellcome filed the regulatory dossiers in 19 countries for Valtrex, a successor to Zovirax, which Robb claims is more effective and just as safe.

Nevertheless, some analysts wonder whether the difference will be sufficient for cost-conscious health organisations to pay significantly more for Valtrex than an off-patent version of Zovirax.

If Robb wants an example of what can happen when a significant product's patents expire, he need only look at the other main set of results in

pharmaceuticals this week. SmithKline Beecham has been overshadowed by a significant patent expiry for years and in May, the US patents for Tagamet, SmithKline Beecham's biggest drug last year, ceased to be protected from low-price generic competition.

As he announced his second quarter results on Tuesday, Jan Leschly, chief executive, insisted the 9 per cent decline in Tagamet sales did not represent the full impact of the expiry which had occurred only half way through the period. It was far worse, he said.

The reason for such candour is that the pain from Leschly's patent expiry is almost over. Instead, Leschly wants investors to concentrate on his newer products - up 81 per cent year on year - and his \$2.3bn acquisition of Diversified Pharmaceutical Services.

As Robb fights to protect his herpes franchise, Leschly can look on with some sadness. He has been through the experience awaiting his counterpart at Wellcome.

Paul Abrahams

## FINANCE AND THE FAMILY

**W**e are almost a week into rolling settlement, the new stock exchange system for paying for shares – yet many brokers have not prepared for some of the changes that are taking place. They have concentrated on encouraging clients to move into nominee accounts, where the stock is registered in the name of the broker's nominee company instead of the client himself. This makes administration much easier for the broker, and some clients also prefer having less paperwork to cope with.

Other issues – such as penalties for late payment and facilities for allowing margin trading (lending money to clients to buy shares) – are apparently being treated on a "pay-it-by-ear" basis. Indeed, one of the 20-odd brokers to whom we spoke suggested delaying this article for a month – by which time, he said, his firm hoped to have formulated its policy.

**■ Nominee accounts**  
Ten-day settlement – also known as T+10 – is only the first step towards a faster settlement process. The stock exchange intends to bring in five-day rolling settlement next year. At the moment, a gap of 10 working days still allows enough time for certificates to pass back and forth between broker and client when the latter decides to deal. It is, however, difficult to see how this will be possible under the shorter-time frame of T+5. Nominee accounts are then likely to be the only way the majority of private clients will be able to deal.

Nominee accounts are used already for all personal equity plan holdings. Most brokers operate both pooled and designated nominee accounts. Pooled nominees group together shareholders, and the only name that appears on the register is that of the nominee company. In a designated nominee, the broker's name and the client's designation usually appear together on the company register and this should ensure that the investor retains shareholder benefits.

Some brokers – including Broadbridge, Butterfield Securities, Dunbar, Boyle & Kingsley, Fidelity Brokerage, Fyfe Horton Finney, Killick, Sharemarket and Shaw & Co – operate designated nominees only (other than for Peps, which are in pooled nominees).

Surprisingly, ShareLink, the execution-only dealing service, has not yet put in place a nominee account for its dealing customers, although it says plans are under way. It operates a pooled nominee for Peps and new issues customers.

**■ Penalties for late payment**  
Understandably, brokers are stressing the need for prompt payment. If, after 10 days, a client's cheque does not clear, the broker is left holding the shares. Some brokers say they will charge the client interest – the figure mentioned most often is 3 to 4 percentage points above the present base



## Brokers take the easy path

*Scheherazade Daneshkhu and Bethan Hutton on the progress of rolling settlement*

rate of 5.25 per cent.

Others may also charge a fee. Shaw & Co. says it reserves the right to charge a late-delivery penalty of 25 a day on top of an interest rate of 4 percentage points above the base rate. It warns that if stock remains undelivered for 10 days, all costs and charges incurred will be debited to the client's account.

Others have no penalties for late payment at the moment. James Capel said: "We wait to see how the market deals with late payment and what recompense we shall be seeking."

Brewin Dolphin Bell Lawrie is waiting until September before bringing in late-payment penalties; this will allow clients to get used to rolling settlement. But it could charge

up to 5 percentage points over the base rate after that.

In general, execution-only brokers will charge higher penalties than advisory brokers. Fidelity says it will charge 10 percentage points above base rates while ShareLink could charge interest at 15 per cent APR and make an administrative charge of up to £40, as well as selling the shares involved and using the money raised to settle the amount owed.

The Tring-based Share Centre will not buy stock unless the client already has enough money in his account to pay for it.

**■ Is extended settlement possible?**  
Yes, although it is up to market-makers – dealers who set the price for stocks – to accommodate brokers. Clients most likely to want extended settlement are speculators.

Earlier this month Smith New Court, the securities house, said it would accommodate brokers requesting special settlement after T+10. (Settlement is the process by which shares are delivered to a buyer in exchange for delivery of payment.)

In other words, a client who wants to settle on T+11 might be able to do so if he tells his broker when he places the order.

Brewin Dolphin Bell Lawrie says: "Clients can request to deal for special settlement. Any price differential will be a matter for the market-maker – we will not charge extra for such a bargain." Williams de Broe says it expects to be able to improve on

terms offered by others.

Sharemarket, the Manchester-based execution-only broker, is making extended settlement a feature of its service. It will allow clients (at its discretion) to roll over each 10-day settlement transaction for another 10 days, subject to certain terms. But other brokers such as Dunbar, Boyle & Kingsley and Albert E. Sharp say they will not allow extended settlement.

**■ Margin trading**  
Most brokers say they are thinking about this, but few have come up with concrete plans. Williams de Broe, Shaw & Co., Butterfield and the Share Centre are among those offering margin trading to selected clients.

## What you can expect to pay

Nominee account charges can be confusing. The most common charging method is a fixed fee for each stock held, payable on a quarterly or half-yearly basis. This often covers the whole nominee service, but sometimes there are additional charges.

These cover such things as transferring shares into or out of the nominee account, collecting dividends, preparing valuations or tax certificates, passing on annual reports or other company documents, arranging attendance at annual general meetings, or benefiting from shareholder perks. Holding overseas shares in a nominee account is usually more expensive.

A few brokers make no charge for the nominee service – but make sure this is not balanced by higher dealing costs or other charges. Users of execution-only services are more likely to be charged for nominees than discretionary or advisory clients, who usually pay higher charges elsewhere.

Some brokers reserve the right to make a charge for company reports or AGM attendance, but do not necessarily impose it.

Many of the mass-market share dealing services take an all-in approach to nominee charges. Barclays Stockbrokers has different nominee charges depending on whether you are an execution-only or advisory client, but provides the same pooled nominee service for both.

This includes half-yearly valuations, composite tax vouchers, company reports and accounts, most shareholder perks and voting rights.

Advisory clients pay £1 a stock each quarter (minimum £25) for the full service; execution-only clients pay 75p a stock each quarter (minimum £2) for the same service. Dealing charges are identical.

Fidelity Brokerage, which has about 25,000 execution-only customers, registers all purchases automatically into a designated nominee account but makes no charge for the

nominee, which includes the full range of services. The one exception is a £20 charge for re-registering shares into another name. Leeds-based Broadbridge does not charge for nominee accounts, and dealing charges are the same whether or not a nominee is used.

At the other end of the scale, the more exclusive Williams de Broe includes a nominee service in the annual fee for its discretionary and advisory portfolio management services, but execution-only clients are charged £3 a stock held in the nominee account each quarter, plus an extra £3 per dividend collected, £5 for tax certificates, and other charges for transfers out of the nominee.

James Capel charges advisory clients £15 a stock each quarter for its nominee package, in addition to a £250 annual administration charge for each portfolio.

Most brokers have not yet altered their nominee charging structures in response to rolling settlement but some, which until now have not charged for nominee accounts, may start once larger numbers have opted for the service.

One is Albert E. Sharp, which says: "We do not charge advisory dealing clients for nominee accounts, but are reviewing this policy and may decide to do so in due course." Before you sign up, it is worth asking any broker how long the charging structure is due to be in place.

Dealing charges are sometimes different, depending on whether you are using a nominee account as well as whether you are dealing on an execution-only, advisory or discretionary basis.

Dealing with in-house nominee accounts is usually easier administratively for the broker, so not using a nominee could make dealing more expensive. Butterfield Securities charges non-nominee customers an extra £10 a deal, and James Capel has a £25 "delivery fee" for non-nominee advisory clients.



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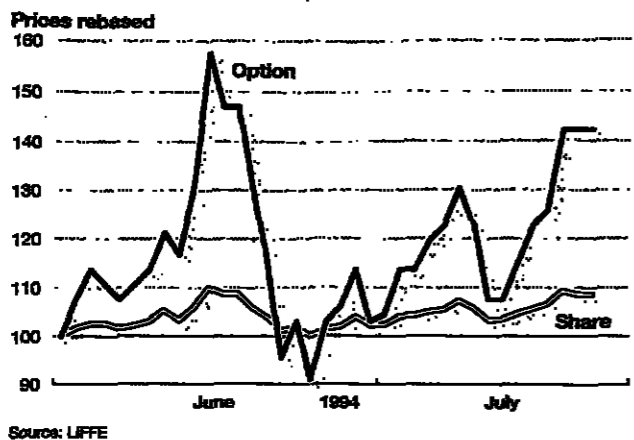
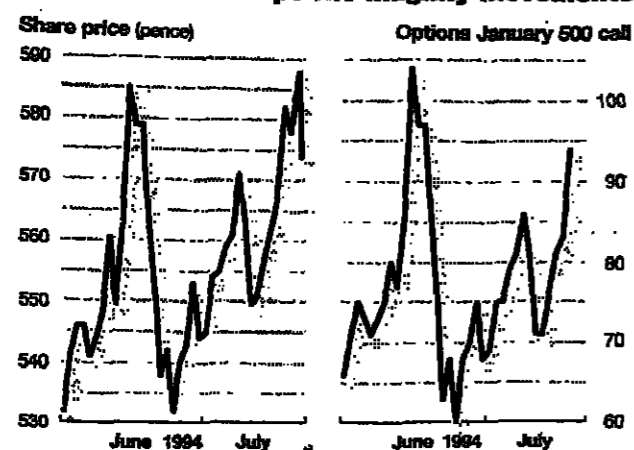
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## FINANCE AND THE FAMILY

## The options option

Peter John has some advice for stock market speculators

## Glaxo shows how options magnify movements



Source: LIFFE

Speculators face a potential blow under rolling settlement, the new stock exchange method of paying for shares (see page 11). Under the old system of account trading - which covered 10 to 15 per cent of stock market deals - they could buy and sell shares for a quick profit without having to put up any money or take physical possession of them. Now, each deal will have to be settled - either in cash or share certificates delivered - 10 business days later.

What, then, should the speculative investor do? He has two natural choices. One is to engage in margin trading, borrowing money to buy shares. The other - to which LIFFE, the London derivatives exchange, hopes investors will turn - is traded options. Like margin trading, buying traded options is a geared investment: you make more money than you would in the underlying shares if the share price moves in your favour - but you can lose everything if it moves against you.

A buyer of a traded option has the right, but not the obligation, to buy or sell particular shares at a fixed price at any time up to a specific expiry date. Calls (the right to buy shares) and puts (the right to sell them) are available in 70 different companies, with a range of different prices and periods available for each.

Traded options relate mainly to FT-SE 100 companies and most are traded only in blocks representing 1,000 shares. There are also traded

options in the FT-SE index itself. At the moment you can, for instance, buy Glaxo options which expire this month (July), or in October or next January. The share price is around 580p; available options give you the right to buy at, for example, 550p or 600p.

Not unnaturally, you pay for this right. An option lasting until October, and which gives you the right to buy at 600p, will cost 26p - but one for the same period, giving the right to buy at 550p, will cost 54p. If the Glaxo price remains unchanged during that period, the 600p option will expire

worthless while the 550p one has intrinsic value of around 30p. But if the share price slips to, say, 560p, that intrinsic value will be cut to 10p.

The point about traded options, however, is that you can buy and sell the option itself - you do not need to use it to buy the underlying shares. So, if the Glaxo price were to move up sharply, the options probably would rise even more sharply and you could take your profits by selling the options.

Here is a real example of what might have happened. Say, earlier this summer, an investor noticed that

pharmaceuticals had underperformed the broad London market and that Glaxo had done particularly badly. Indeed, on June 27, Glaxo shares had underperformed the falling market by 13 percentage points over the previous six months and stood at 533p.

One response could have been to buy 1,000 shares. In that case, £53,333, which could be earning interest in the building society, would have been tied up. Alternatively, a January 500 call - that is, the right to buy the shares up until January 1995 at 500p each - would have cost £34p a share, or about £535 (plus costs) for a contract.

The 63p option price (known as a premium) is made up of two elements: intrinsic value and time value. Intrinsic value is the amount by which the option is below the underlying share price. (Not all options have intrinsic value). Time value is the difference between the intrinsic value and the actual cost of the option. Working it out involves a complex mathematical formula but, essentially, the longer the option's period, the greater the time value - because the chances of it acquiring intrinsic value in the interim are greater.

The intrinsic value rises or falls with the value of the shares. But it exaggerates the movements in the underlying share price. The time value does not decrease in a straight line in proportion to the time involved. Often, it remains relatively high until shortly before expiry, especially when the market swings the way it has done recently. In fact, by Wednesday this week, Glaxo shares had reached 584p and the price of Glaxo January 500 calls was 96p. An investor could have sold the £535 contract for £960.

The two main advantages of calls over shares is that (a) they are a geared play offering the potential for much greater gains, and (b) the amount that can be lost is limited to the cost of the option. Puts operate in the same way as calls except that they allow investors to SELL shares at a fixed price up until the expiry date. They allow investors to insure or hedge against falls in the market.

## Where to find the guidance you need

Trading options is only for knowledgeable investors with deep pockets. The problem is that in-depth information is not available as readily as that for shares.

The London International Financial Futures Exchange (LIFFE) has a helpful line and will provide a starter pack that includes a newsletter, a list of about 50 brokers, a slim guide book, and a programme of seminars which costs between £9 and £12. After that,

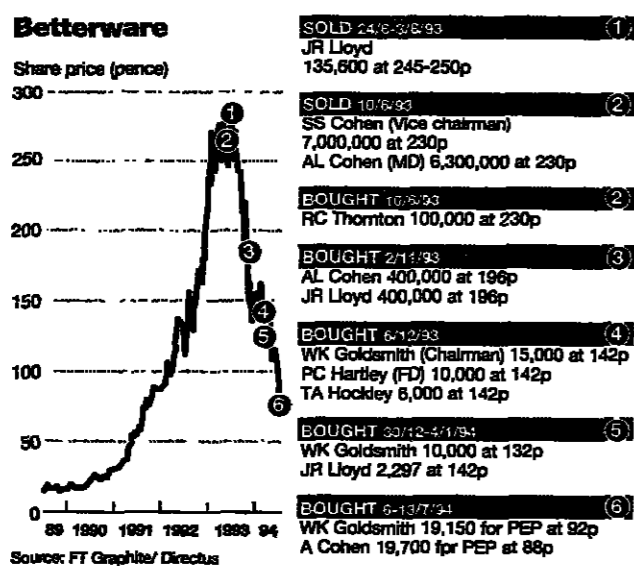
however, you are out on your own.

The next stage is to contact a broker although only about a dozen, such as Killick & Co., give advice on strategy. But Graeme Hatch, the head of Killick's traded options team, warns that unlike share portfolios, which can be left in the care of a broker, options are too risky to devolve. "They are far too volatile and speculative to leave to a broker, and people should follow them closely," he says.

For more confident investors, there are execution-only brokers which will charge less but provide no specific advice. The most well-known is probably ShareLink, of Birmingham. ShareLink will send out an information pack similar to LIFFE's and a regular newsletter. After that, it can tell a client nothing more than the prices and the spreads.

\*For LIFFE's help-line, call 071-379 2233/2235.

## Directors' transactions



Always look at directors' dealings in context. The recent small purchases, totalling £35,000, by two directors of Betterware are insignificant when compared with sales worth £30.6m by the Cohen family in June 1993. The shares had tumbled by 60 per cent between the Cohens' big sale and the recent purchases - and have fallen even further, to just 76p.

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED &amp; USM)

Company	Sector	Shares	Value	No of directors
<b>SALES</b>				
Bodycote	Eng	41,000	113	1
British Bloodstock Agency OS&B		30,000	26	1
Chrysalis	L&H	10,279	17	1
Lonrho	Dvlt	135,982	177	1
Osborne & Little	H&Gd	40,000	156	1
<b>PURCHASES</b>				
Anglo Eastern Plantations, OS&B		86,300	66	1
Asprey	RetG	375,000	1,148	1
Betterware (Pep)	RetG	19,700	17	1
British Bloodstock Agency OS&B		30,000	26	1
Brunner	InvT	5,256	12	1
BTP	Chem	18	1	1
General Electric Co (Pep)	E&E	11,764	32	2
Low & Bonar (Pep)	PP&P	6,000	24	1
Low (Robert H) (opn off)	Text	10,855,907	852	4
M & G Group	OTHF	25,000	204	1
Orb Estates	Prop	8,580,200	84	1
Roskel (Pep)	B&M	11,700	11	2
Royal Bank of Scotland	Brks	2,500	11	1
Scottish Mortgage & Trust	InvT	18,000	39	1
Smith New Court	OTHF	12,313	44	5
Triplex Lloyd	Eng	10,000	14	1
WEW Group	RetG	75,000	27	2

Value expressed in £000s. This list contains all transactions, including the exercise of options if a 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange July 11-15 1994. Source: Directors Ltd, The Inside Track, Edinburgh

John Asprey, chairman of the famous London jeweller, made the largest transaction of the week when he bought 375,000 shares on behalf of the family's trust fund. But since the family already owns more than 50 per cent of the group, the deal accounts for a very small proportion of its stake.

Orb Estates used to be called Ossory and had considerable success early in the 1990s when its shares traded around 45p. Since then, it has made substantial losses and, most recently, director William Higgins was able to buy some stock for his pension fund for 1p. Earlier in the month Millash Ltd, a company in which Higgins has a sizeable interest, bought 5m shares, also at 1p.

The share price at Chrysalis Group, a music company, has had an outperformance of more than 130 per cent against the market over the past 12 months. The company is expected to show a smaller loss this year than last and record a profit in 1995. Non-executive director Charles Levison has proved an astute investor already, buying stock at 68p last summer. In his most recent transaction, he sold half his holding at 170p.

Directors at wallpaper-maker Osborne & Little have also seen their share price outperform the market over the past 12 months - in this case, by 189 per cent. Two directors have sold stock within the past month, most recently chairman Peter Soar who disposed of 40,000 shares at 389p.

Vivien MacDonald  
The Inside Track

Small businesses, Page VIII

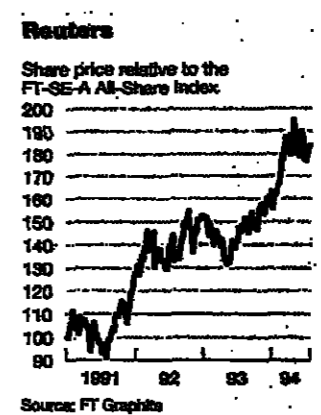
Imperial Chemical Industries, the UK's biggest chemicals group, reports second-quarter results on Thursday. Estimates range from £110m to £130m against £96m. Most observers are bullish about prospects. ICI is benefiting from its exposure to the buoyant US and Asian markets, and the UK recovery. The only fly in the ointment is the European continent, but US groups have even noted some upturn in demand there.

Butlers Holdings, the UK financial information and news group, will emphasise its international and high-tech credentials on Wednesday by presenting interim results in New York. The meeting will be transmitted live by satellite to London, where analysts expect pre-tax profits of about £245m for the six months to June 30, compared with £215m last time.

BAT Industries, the UK-based tobacco and financial services group, is expected on Wednesday to announce an increase in underlying interim profits to about £900m before tax, although the range stretches from about £880m to £920m. Last year's figure was £902m, but that included a £123m exceptional profit from a brand swap deal with a US company. Growth is thought to have been stronger in the second quarter, driven mainly by insurance rather than tobacco.

Lloyds is the first of the British clearing banks to report its interim results on Friday although the outlook is affected by uncertainty over its

## The week ahead



Source: FT Graphicals

gains from releasing bad debt provisions.

Interim results from Lloyds Abbey Life, the life insurance group, on Wednesday are expected to show pre-tax profits of £162m to £176m for the six months to June 30 (£152.5m). Interim dividend is expected to be between 6.5p and 6.7p (6.3p). Acquisition of new life and pensions business will have been difficult, especially given the emphasis put on training the sales force.

Growing vehicle sales and an exceptional gain on the disposal of the Appleby motor dealer group should lift interim pre-tax profits at Lex Service, the UK's largest car distribution and leasing group, to around £31m (£21.2m) under FRS5. Analysts expect underlying profits of about £24m from the group reports on Tuesday.

PRELIMINARY RESULTS									
Company	Sector	Year to	Pre-tax profit	Earnings	Dividend				
			(£000)	per share	per share	(p)	(p)	(p)	(p)
AM Group	Eng	Apr	1,070	(8,320)	4.2	(17.8)	4.5	(7.8)	
Bellway	Eng	Apr	6,740	(6,300)	25.04	(28.08)	-	(1)	
Brennan	Eng	Apr	910	(778)	1.04	(0.88)	0.88	(0.50)	
Bucell Group	Prop	Apr	238	(1,350)	0.2	(1)	-	(1)	
Cadogan & Foster	Eng	Apr	351	(388)	1	(1)	1.0	(1.0)	
Craighead Holdings	Eng	Mar	1,080	(1,000)	14.2	(13.8)	7.7	(7.3)	
Dans Exploration	OE	Dec/93	18	(1,200)	-	(15.32)	-	-	
Edel	Text	Apr	267	(1,982)	1	(1)	-	(1)	
Evo Group	B&C	Mar	3,900	(4,159)	26.4	(27.4)	11.0	(10.0)	
First Technology	Eng/Prop	Apr	4,100	(2,540)	17.39	(10.78)	3.5	(1.8)	
Genie Durnett	Text	Apr	10,800	(25,400)	14.5	(14.5)	8.0	(5.4)	
Hartcliffe Group	Text	Mar	70,700	(8,000)	1	(1)	-	(1)	
Hollis Group	Text	Mar	105	(7,300)	1	(1)	0.8	(1.2)	
Investment Co	OE/Fin	Mar	508	(44.8)	3.18	(2.91)	1.5	(1.3)	
McKer Security	Prop	Mar	3,000	(1,600)	7	(4.3)	5.2	(3.8)	
Mongrel Int Ltd	InvT	May/94	163	(140)	4.80	(4.25)	6.8	(6.8)	
Mosaic Investments	PP&P	Apr	1,000	(14,000)	0.78	(1)	-	(1)	
Nobo Group	OE/Fin	Apr	2,300	(1,300)	13.59	(8.18)	8.0	(4.8)	
Overseas Group	OE	Mar	1,280	(1,810)	-	(0.2)	-	(1)	
Pelham Group	InvT	Mar	2,610	(608)	24.0	(4.8)	1.2	(1.1)	
Seville Gordon J	Prop	Apr	5,800	(2,350)	3.9	(1.4)	2.7	(2.8)	
Smith David S	PP&P	Apr	42,200	(27,100)	25.2	(21.8)	10.75	(10.0)	
Southdown Property	Prop	Mar	5,000	(513)	4.15	(1)	2.4	(4.28)	
Thames Eilat	Eng	Mar	801	(713)	7.18	(6.82)	5.81	(5.48)	
Uddland	Eng	Apr	272	(803)	0.80	(2.8)	-	(1)	
WHE Holdings	B&C	Mar	3,780	(2,850)	8.0	(8.15)	3.8	(1)	
Victoria Carpet	Eng/Prop	Mar	1,880	(508)	18.82	(5.28)	4.5	(1)	
YPM	Prop	Apr	2,840	(1,980)	1	(1)	-	(1)	

INTERIM STATEMENTS									
Company	Sector	Half-year to	Pre-tax profit	Interim dividend					
			(£000)	per share	(p)	(p)	(p)	(p)	(p)
Amicable Smelter	InvT	Jun/94	137.84	(142.38)	1.7	(1.7)	-	-	-
Automated Sea Hedges	Spv	May	6,730	(4,800)	-	(1)	-	-	-
Brown & Jackson	Eng	Jun	2,850	(1,200)	1.0	(1)	-	-	-
Carfax Group	Eng	Jun	12,000	(11,440)	1	(1)	-	-	-
Central Motor Aust	Eng	Apr	420	(547)	0.5	(1.8)	-	-	-
Edinburgh Jew Tel	InvT	Jun/94	469	(61.28)	-	(1)	-	-	-
General Cash Int	InvT	Jun/94	214.3	(250.1)	2.8	(2.8)	-	-	-
Groverman Der Cap	InvT	Jun/94	158.9	(15.8)	-	(1)	-	-	-
Hill & Smith	Eng	Mar	1,740	(1,480)	2.1	(2.1)	-	-	-
Holders Technology	Eng	May	192	(251)	102	(20.2)	-	-	-
Inspirations	Eng	Mar	970	(1,260)	1	(1)	-	-	-
Lafayette Group	Eng	Jun	801	(821)	1	(1)	-	-	-
Lance Enterprises	Eng	Apr	1,430	(1,368)	1.35	(1.28)	-	-	-
Leslie Wiles Group	Eng	May	1,240	(1,230)	1.75	(1.78)	-	-	-
ML Laboratories	Eng	Jun	953	(1)	89	-	-	-	-
Southdown Associates	InvT	Jun/94	10,870	(108.1)	2.38	(2.38)	-	-	-
Talentsmith	Eng	Jun	7,800	(5,200)	-	(1)	-	-	-
Trust of Property	InvT	Jun/94	88.18	(82.43)	-	(1)	-	-	-
Waste Management	OE/Fin	Jun	82,230	(71,400)	-	(1)	-	-	-
Waste Recycling	OE/Fin	Jun	346	(1)	-	(1)	-	-	-
Wellcome	Phm	Jun/94	483,100	(486,800)	5.6	(5.8)	-	-	-

Figures in parentheses are for the corresponding period. Dividends are shown net of tax per share, except where otherwise indicated. L = loss, T = net cost value per share. £ = million pounds and pence. \$ = US Dollars and Cents. 10 month figures. 1 = 1 month figures. 2 = 2 month figures. 3 = 3 month figures.

## RIGHTS ISSUES

Dans Exploration is to raise £2.17m via a 11.5 rights issue @ 5p.  
Freemport Leisure is to raise £1.25m via a 8.1 rights issue @ 5p.  
Hartcliffe is to raise £200m via a 2.1 rights issue @ 15p.

## OFFERS FOR SALE, PLACINGS &amp; INTRODUCTIONS

Copyright is to raise £21m via a placing & offer of 3m new shares.  
ED&F Man is to raise £450m via a placing & offer.  
Freemport Leisure is to raise £1.15m via a placing of 7.2m shares @ 65p.  
Waste Recycling is to raise £5.95m via a placing of 5.72m shares @ 65p with a 3-5 discount by eligible shareholders.  
Wellcome is to raise £22m via a placing & offer of 88.8m new shares @ 50p.

## TAKE-OVER BIDS AND MERGERS

Company	Value of bid per share	Market price	Price below bid	Value of bid	Value of bid	Value of bid
Bradford Properties	10*	10	15	3.70	Stoughton Estates	
Chiltern Radio	242*	285	205	18.80	CLT	
Development Ventures	167	165	113	32.50	Essex Highway	
Great Southern	800*	822	475	71.11	Service Corp Int	
Do. Pvt.	238*	235	180	16.20	Service Corp Int	
Joemans	1275*	123	98	12.01	BSG	
Low (Wm)	225*	253	188	200.00	Tesco	
RMG 1	158*	158	113.00	113.00	British	
Spicer (LAW)	1100*	740	740	48.50	Heathrow	
Spicer (LAW)	1000*	740	740	48.50	Heathrow	
Townes	265*	271	245	4.22	London City	
Trans World	181	181	173	70.80	BNM	

\*Dividends are shown net of tax per share and are adjusted for any intervening stock splits. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. 1 = 1st quarterly, 2 = 2nd quarterly, 3 = 3rd quarterly.

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## FINANCE AND THE FAMILY

## Winners and losers

Scheherazade Daneshkhu on the relative virtues of gilts and bond funds

Investing in a bond fund is, almost invariably, more expensive than buying gilts directly. Gilts can be purchased cheaply and easily enough over a post office counter from the National Savings Stock Register. But most UK bond funds have an initial charge of up to 6 per cent (the table shows some of the present bid-offer spreads - the difference between buying and selling units). They also carry an annual charge, usually of about 1 per cent.

Gilt prices and yields vary in inverse proportion. While yields have risen, from about 6 per cent to just over 8.5 per cent in the first six months of the year, the price of the 10-year benchmark gilt - Treasury 8½ per cent 2004 - fell 18.9 per cent.

Investors in UK bond funds, who hoped to have fared better, may be disappointed to see from the table that the average unit trust in the UK gilt and fixed income sector fell by virtually the same amount - 18.66 per cent (offer to bid, no income re-invested) - over the same period.

This is despite the greater flexibility that bond funds have. Many of those in the UK gilt and fixed income sector invest in shorter dated gilts, corporate bonds and preference shares, which are part of a company's share capital and pay a fixed dividend.

When yields are rising, as has happened in the first half of the year, changes in price are greater for longer dated gilts than for those at the short end of the market. The J.P. Morgan UK government bond price index, which covers the performance of both longer and shorter dated bonds, fell 14.2 per cent over the first six months of the year - less than the 10-year benchmark gilt.

Bond funds investing in the

short end of the market have had an advantage over this period. The Whittingdale short dated fund does not invest in gilts with a maturity of more than six years and the fund's performance has benefited from this restriction. But when prices are rising, such as in the bull market of 1993, the shorter end of the market tends to perform less well.

Thus, the Whittingdale short dated fund was ranked 52 out of 58 by Microcap in the year to January 3 1994 (offer to bid, net income re-invested), although it was in the top five funds over five and 10 years.

Abbey Life's Capital Reserve fund (which is not included in the table because it has only accumulation units) also invests in short dated gilts. With net income re-invested, it is the top-performing fund in the sector, mainly because it switched to cash.

Gerard Wherity, its fund manager, says: "We were nervous last year because we thought that the rise in gilt prices was not sustainable. If we believe prices are going to fall, we avoid being in gilts. The fund has been liquid through fairly large chunks of the year, but we were more liquid than we should have been last year."

Many private investors, however, buy gilts for the income they provide. The highest yields of the top 10 funds listed were delivered by those investing in preference shares - Gartmore Preference and Thornton UK Preference - with over 9.17 and 8.5 per cent respectively.

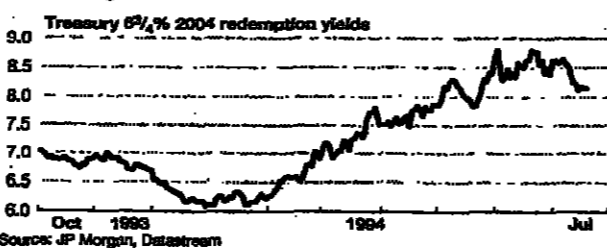
Investors weighing the advantages and disadvantages of bond funds should note that there is a tax drawback to buying gilts in a unit trust. Gains are liable to capital gains tax, whereas gilts bought directly are exempt from it.

## Prices have tumbled . . .

UK government bond price index (Oct 1, 1993=100)



## . . . as yields have risen



## Best and worst performing UK bond funds

Fund Bid-offer spread % Yield % change (%)

TOP 10 (1/1/94-1/7/94)

Whittingdale Short-dated	47.0	1.28	0	-8.54
Britannia LT Gilt & FI	1.8	2.01	6.26	-9.13
Barrage Short-Dated Gilt	1.8	1.28	6.19	-10.92
Exeter Zero Preference	40.7	3.78	0	-10.95
Aberdeen Gilt Income	18.23	0	6.51	-12.72
AIS Gilt Fund	2.75	3.00	5.44	-12.85
Abnott Fixed Interest	16.82	8.32	7.53	-13.09
Thornton UK Pref	14.67	6.50	8.50	-13.38
Gartmore Preference	6.80	6.50	9.17	-14.30
Fidelity Gilt & FI	21.50	0.95	7.37	-14.86

BOTTOM 10

Schroder Gilt & FI	18.40	5.15	7.24	-21.82
NAP Gilt & FI	0.93	5.51	5.94	-21.78
BSG Bond	21.47	4.96	6.84	-21.55
Legal & Gen Gilt	5.00	5.70	6.76	-20.89
Framlington Gilt	13.74	3.03	6.19	-20.20
Legal & Gen FI	2.00	6.00	7.26	-20.18
Prosperity Gilt & FI	1.40	6.01	6.58	-20.18
Norwich Gilt & Credit	11.51	5.93	6.81	-20.04
Clarke Mid Gilt & FI	5.00	4.91	7.98	-20.04
Canlife Gilt & FI	4.87	6.67	6.34	-19.79

Sector average

-18.66

Source: Microcap. Offer to bid with no income reinvested. Excludes bull and bear funds and funds with accumulation units only.

## Diary of a Private Investor

## Working to rule 535(2)

Rule 535(2) sounded as if it might be part of a European Union regulation, such as the one which defined a carrot as a fruit so that the Portuguese could continue using these vegetables in the production of jam. In fact, 535(2) was not an EU regulation but a very useful rule of the London Stock Exchange to facilitate dealings in certain unquoted securities.

Since July 18, when the stock exchange's new, re-numbered rule book came into operation, rule 535(2) has become rule 4.2. But its general provisions remain unchanged. Shares in 236 companies are traded under Rule 4.2. These include the Arsenal, Aston Villa, Everton and Glasgow Rangers football clubs; Adams and Shepherd Neame, which operate breweries and pubs; Lawrie Group, a tea and coffee company; Exchem, which makes specialty chemicals, mining and quarry supplies; and cereal-maker Weabix.

In April, Michael Lawrence, chief executive of the London Stock Exchange, launched a plan to "promote the interests of both quoted and unquoted smaller companies". One of its suggestions was the "development and re-launch of the 4.2 trading facility as a distinct market with a suitable level of regulation".

I first bought shares in a 4.2 company in 1989 when a stockbroker recommended Southern Newspapers. Based in Southampton, the company dominates its regional market; its publications include an evening newspaper in the Poole and Bournemouth area, where I live. I was happy to pay 325p as

I felt the company had a bright future, possibly through a take-over bid.

An unfortunate investment in Southern's 1990 accounts of more than £12m and a decline in its take-over prospects, as a result, the shares drifted down. Under-termed, I took the opportunity in 1992 to add to my holding at 235p. Southern's shares now are worth more than £4 and the company is valued at well over £90m. Pre-tax profits for the half-year to January 1 1994 were £7.15m, although this included £3.5m from selling its shareholding in Portsmouth & Sunderland newspapers.

Several companies have moved from the 4.2 market to gain a full listing; recent examples include Celtech, Independent Insurance Group, Scotia, Tadpole Technology, The Telegraph newspaper group and Vardon, a leisure concern. This

## Kevin Goldstein-Jackson explains how to deal in unquoted securities

means that some 4.2 companies - not all of which are big - can be viewed as a ground-floor investment opportunity, the hope being that they (and their share prices) will appreciate when full stock market listings eventually are obtained.

Yet, many 4.2 companies do not want a full listing. Perhaps the directors want to maintain their firm's local character. Or, they may want to ensure they can act for its longer-term future without the publicity that can come from a full listing. Some have been deterred by the cost of a USM or full



listing, plus complying with all the regulatory requirements.

Under Rule 4.2, a company need not pay a fee to have its shares traded. Instead, a stock exchange member firm applies to deal in the shares of a particular concern; if permission is given, this lasts for 12 months from the date of the

Without the 4.2 facility, shareholders may well be locked into the company. Even with the rule, a share deal might not be possible for months - if at all.

There are two reasons for this: first, because no one wants to buy at or near the price offered; or, second, because there are not enough shares available to satisfy every potential purchaser. Therefore, investors should not rush into this market on a short-term basis. They could find themselves with a holding that no one wants to buy for a long time.

On the positive side, interest in this market has increased greatly in the past 18 months. In 1993, for instance, dealings worth £520m were reported and this year should show an increase.

Direct investment in 4.2 companies can provide considerable tax incentives for private investors. In its annual report, Southern Newspapers points out that because its shares are not quoted on a recognised exchange, they "prima facie fall within section 105(c) of the Inheritance Tax Act 1984 as a relevant business property which, in appropriate circumstances, will rank for a reduction of 50 per cent (30 per cent prior to March 10, 1993) in value for inheritance tax purposes".

In other words - and subject to certain conditions - if an investor owns less than 25 per cent of an unquoted company, the IHT is reduced by 50 per cent on such holdings.

It is encouraging to see interest being focused on this area - although one hopes that the various tax incentives will continue to be protected.

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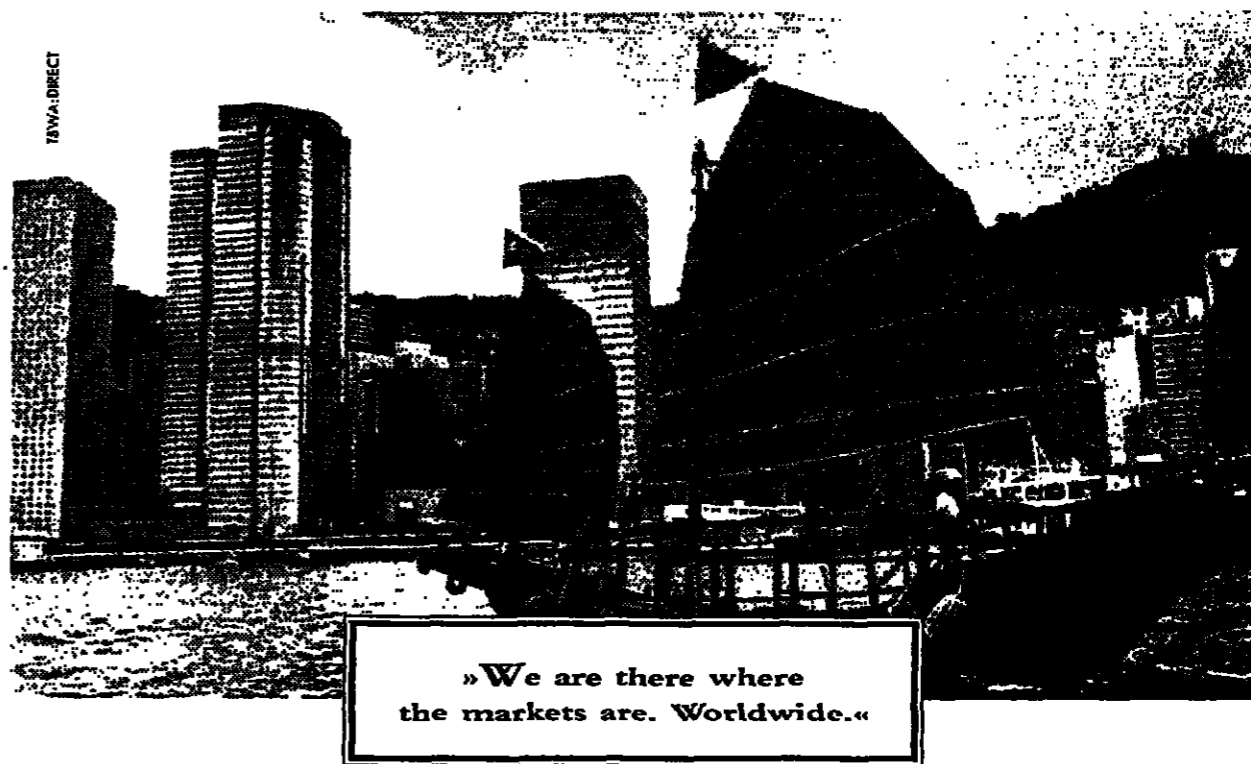
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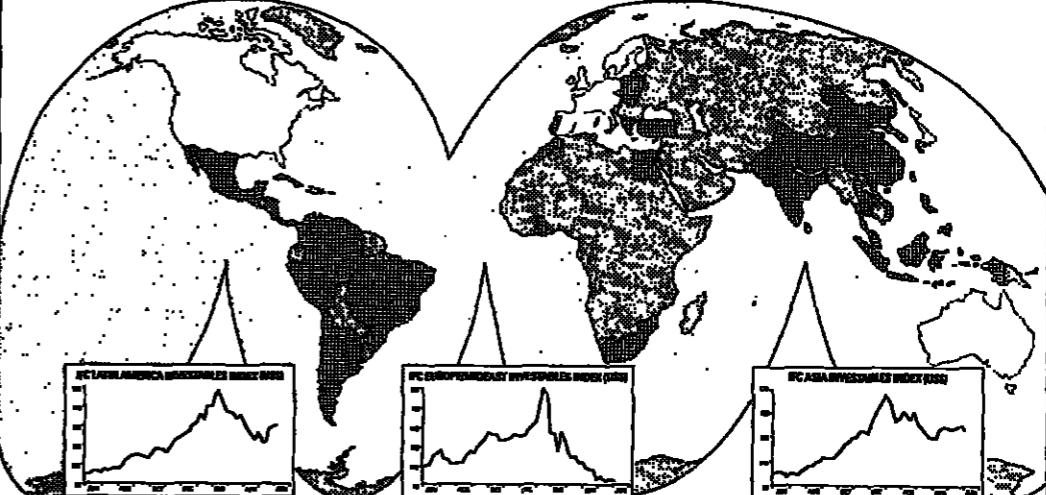
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□ Mature Markets □ Emerging Markets

Source: Guinness Flight, Datastream.

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Return to: Guinness Flight Fund Managers (Guernsey) Limited, Guinness Flight House, PO Box 250, St Peter Port, Guernsey, GY1 3QH. Tel: (44) 481 712176. Fax: (44) 481 712065. Please send me details of the new Guinness Flight Global Emerging Markets Fund.

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## FINANCE AND THE FAMILY

## The Professionals

## In search of that certain mystique

Joanna Slaughter continues her series on private client investment managers. Today: Fleming

**G**raham Ball, managing director of Fleming Private Asset Management, the private client arm of the Fleming Group, believes that its flexibility makes it different from much of the competition. Clients can choose the way their money is managed and how they pay for it.

Ball says: "Clients can be advisory or discretionary, fee-paying or commission-paying, onshore or offshore, international or sterling-based. And we take enormous pains to find the fund manager most suited to a new private client."

Last year, FPAM's funds under management on behalf of more than 3,600 private clients grew by £1bn to £2.7bn.

Within its basic portfolio management service, £396m is managed for discretionary clients, and £266m is run on an advisory basis.

FPAM offers two private client services - portfolio management for those with £100,000-plus, and a highly personalised approach for those with more than £1m who want an equity-based fund management service in a major currency.

Given the house philosophy of choice and flexibility, it is no surprise to learn that all clients have a bespoke portfolio. Unit trusts may be recommended for exposure to smaller companies or to exotic markets, but collective investment vehicles will not be used if the client demurs.

Ball dismisses those who argue that more modest clients should be steered towards collective schemes. "There is no doubt that a bespoke portfolio is far sexier than a unit trust portfolio," he says. "And if clients have a unit trust, they have to pay management fees. At the end of the day, we can make a good profit with a bespoke portfolio of £100,000 - and so can the client."

The 40 private client investment managers have access to the independent research and international capabilities of the Fleming group. It has an in-house research unit of six, although the task of interpreting this research for clients is left to individual fund managers. Their performance is monitored regularly.

## Investment managers: factfile 5

**Fleming**  
(Fleming Private Asset Management)  
Established: 1873

Regulation: SFA

Number of offices in UK: One

Number of offices worldwide: 42 in 30 countries

Funds under management: £2.7bn (private clients); £50bn (Fleming Group)

Number of UK private clients: 3,580

Number of expatriate/foreign national private clients: 63

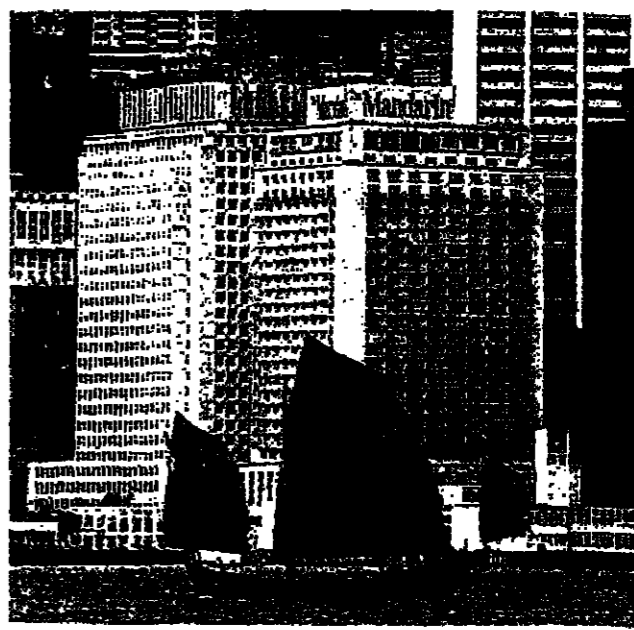
Minimum investment for private clients: £100,000

Current asset allocation for private clients: UK equities, 67%; overseas equities, 29%; commodities, 2%; bonds, 0%; cash, 2%

Average annual portfolio turnover: 30%

Fees: Commission basis, annual fee £250 (discretionary) or £350 (advisory), plus commissions; fee basis

0.75 per cent of portfolio value (minimum £1,500 a year), plus transaction commissions.



Hong Kong, a key centre for FPAM's Pacific rim dealings

In the main, UK private clients will be invested in the top 250 shares. Annual portfolio turnover averages 30 per cent. Ball says: "What turns me on in investment terms is good management, a good balance sheet and good products."

He adds: "We are probably not ruthless enough with losses. At the end of the day, we should put in stop losses. Some managers do, but we don't do enough of it. I think

the reason is the volatility of the markets."

The house view on asset allocation is reviewed each month; indeed, FPAM has recently taken 2 per cent out of the US and put 2 per cent into the Pacific rim. The present recommended allocations for a UK client are: cash, 2 per cent; bonds, 0 per cent; UK equities, 67 per cent; US, 10 per cent; Japan, 6 per cent; Pacific, 6 per cent; Europe, 5 per cent;

emerging markets, 2 per cent; and commodities, 2 per cent. And although clients may have as much as 25 per cent of their portfolio in cash and gilts if prudence dictates, FPAM's policy is to have portfolios invested fully.

Ball says: "We think share prices are attractive at these levels. The view we are taking is that the average p/e for 1995 will be 12 times. That is not expensive; it is good value."

Ball established a traded options team two years ago and says: "With markets so volatile, there is no doubt that derivatives are going to become more and more important, and I think it is important to protect our portfolios. But it is a learning curve. It is very important to hedge, but most private clients do not do it properly. They will buy and sell options instead of writing them."

For the future, Ball would like FPAM to expand on the international side and to acquire another stockbroker or investment house. But growth will not come from advertising or promotions. "Despite our success, Flemings are not known for their private clients and that suits me," says Ball. "What we are running is a quality operation. I want an air of mystique so people think it is a privilege to be a client."

## Making your money work

**I**nformation is essential to managing your cash, just as it is for investing in shares. Although putting cash on deposit should be the most straightforward part of managing a portfolio, it is often difficult to know where to locate the best rates. Here is a run-down of useful sources.

**MoneyFacts** A monthly bulletin gives savings rates (including tax-exempt special savings accounts, offshore accounts and accounts for businesses, charities and clubs) from around 70 building societies and a range of banks, although the smallest are excluded. In addition, there are details of current and student accounts and National Savings.

The fixed-rate section includes local authority bonds, retail co-ops and guaranteed income bonds. Borrowing also is covered, taking in credit, gold and store cards, personal loans and mortgages from around 100 lenders.

The service is aimed primarily at the professional adviser, although one-off copies of the magazine can be obtained for

£4.25\*. But information can soon become stale in a monthly publication of this sort. For this reason, it is being updated constantly on the main MoneyFacts database.

Three premium-rate lines give a lengthy summary of the latest rates: 0336-400 238 for savings, 0336-400 239 for mortgages, and 0336-400 237 for commercial mortgages. You will need a fax machine to receive the information. The cost is likely to be around £4 to £5, depending on when you call.

Some information is available free on Channel 4's tele-text service (pages 545-546). MoneyFacts also provides the *Weekend FT* with its Highest Rates for Your Money table - on page V17 today.

Blay's Guides These are another comprehensive source of information and also aimed at professionals. Unlike MoneyFacts, you are

given both gross and gross compound annual rates. In addition, you can find out the net rates for both 25 and 40 per cent taxpayers.

You cannot buy an individual copy of the monthly paper-based Blay's MoneyMaster but it is sometimes found in public reference libraries. Alterna-

*For that, you need facts. Anthony Bailey tells you where to find them*

tively, find out if your financial adviser subscribes to the more sophisticated computer-based version of the service.

A fair amount of free information can be found on BBC2's Ceefax, pages 261-267.

Chase de Vere This is a firm of independent financial advisers well-known for its comprehensive guide to the personal equity plan mar-

ket. In addition, it runs a Moneyline service, which can take 200 to 300 calls on a quiet day. This costs nothing and can be dialled via Freephone.

Savings details from all building societies and the large banks are updated once a week. Inquirers will be sent a neat summary of the top-pay-

able accounts for different levels of investment, different notice periods, and for fixed terms. There is also a summary of guaranteed income bonds.

The firm's subsidiary, London & Country Mortgages, has a Freephone line (0800-373 300) with mortgage information.

Which? Moneyfax This is the newest of the services but, in many ways, is the

least impressive. Launched in June, it compresses too much on to one page: a range of best-buy savings rates (including Tescos) along with details of credit cards, mortgages, personal loans and overdrafts.

Similar summaries can be found in many newspapers and magazines.

By its nature, Moneyfax can be only a starting point for financial decisions and it will cost you about £1 to get it - cheap, but not a best buy. You will need a fax machine and the telephone line is premium rate.

**FT Cityline** This provides a comprehensive mortgage service, updated daily, at a premium rate. Again, you will need a fax machine. The 18 specialist lines include one on fixed-rate re-mortgages and another on first-time buyer deals.

The cost could be £2 to £5 depending on the length of the

## What you should ask

**Is your account paying the highest rate?** Not many people would turn down the chance of receiving £1,000 for doing almost nothing - but such a boost is available to Lloyds customers who have deposited £50,000 in the bank's 90-day notice account. If they switched their money to the equivalent account offered by National Counties building society, they would earn an extra 2 per cent interest a year. But if a smaller, less familiar institution has no attraction, how about the Woolwich? Even this building society would pay £800 more than its high street rival.

**How safe is the institution?** While higher rates don't always mean higher risk, they often can. Be wary of unfamiliar names. Some investors may prefer to avoid smaller institutions, especially banks where there is a greater risk of failure and loss.

**Can I get compensation?** Yes, but it is limited. The Deposit Protection Scheme for banks will cover only 75 per cent of the first £20,000 - in other words, a maximum of £15,000.

The protection scheme for building societies will guarantee to repay 90 per cent of the first £20,000. One way round this could be to spread your money between different institutions.

**Instant access or notice account?** Higher rates tend to be paid on accounts requiring the longest notice but this is not always the case. See if you can strike a balance to find a rate which is both very competitive but also instant access. Postal accounts are a good start.

**Keep a regular check.** Once you have tracked down the right account, you will need to keep an eye on it. Today's thoroughbreds have a nasty habit of becoming tomorrow's also-rans.

A.B.

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Then you can sit back and look forward to the best part of your money's world cruise. The return.

\*Source: Mifcoral. Offer to bid net income reinvested 13 September 1991 to 1 July 1994.

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\*Source: Financial Adviser February 1994/Security Management Magazine March 1994. Past performance is not necessarily a guide to future performance. The price of units and the income from them may go down as well as up and you may not get back the amount you invest. Issued and approved by Gartmore Investment Limited, a member of BMO, through its appointed representative, Gartmore Personal Pensions Limited, Gartmore House, PO Box 64, 16-18 Mount Street, London EC3M 3QQ.

## FINANCE AND THE FAMILY

## No interest in a Tessa

I took out a tax-exempt special savings account (Tessa) with the Co-operative Bank when they were launched. The interest rate then was 14 per cent with a 1 per cent bonus if kept for five years.

Recently, the bank sent me a newsletter which included details of all its interest rates. The Tessa is now just over 5 per cent.

That was bad enough; worse was the statement that if you pull out capital before five years, you lose all the interest. I rang the bank and asked if this was true; when told it was, I immediately stopped my standing order.

I have never touched the interest. If I withdraw that and then close the account, could the bank deduct the equivalent interest from my capital?

■ With regard to the withdrawal of capital from your Tessa: it is true that any withdrawal within the first five years will lead to a loss of all tax advantages.

There is no pro-rata relief if any sum of the capital is withdrawn.

Furthermore, any interest credited up to the date of the withdrawal will become taxable income for the year in which the withdrawal takes place.

There is, however, a facility to withdraw interest from the account without invalidating the tax-free status. These withdrawals must not exceed the full amount of interest credited to date, less basic-rate income tax.

The reasoning behind this is to place depositors in a similar position to what they would have been had they placed their funds outside a Tessa and

## Q&amp;A

## BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

received interest net of tax. When the five-year period has ended, the balance of interest can be taken out without penalty.

As long as the depositor adheres to the relevant limits, there will be no income tax to pay, even on the interest withdrawn. (Answer by Murray Johnstone, Personal Asset Management).

## Incompetent solicitors

My wife and I bought our main residence in Billericay, Essex, in November 1987 for £210,000. As our main residence it is, of course, exempt from capital gains tax.

In April 1993, we purchased a flat in London. It is our understanding that, within two years of the second purchase, we must declare which of these properties will be our main residence for CGT exemption purposes. If we opt for the London flat, can we index-link the price of the Billericay house from the date of purchase in 1987, or does the indexation apply from April 1988?

Also, would we need to have the house valued at that time if indexation is applicable from April 1988?

■ Your solicitors - who appear to be incompetent - should have suggested that, at the very least, you ask your tax office for CGT, the free explanatory pamphlet for owner-occupiers. You should now do just that.

You will see from the CGT4 that indexation on both properties runs from their respective purchase contract dates; thus, the value of the Billericay house in April 1988 is irrelevant.

## Company failure

I have been attempting, without success, to establish what has happened to the shares of a company called EIT Group plc.

■ Shares in EIT Group plc were suspended on February 3 1993 and the company went into administration in May 1993. (Murray Johnstone).

## Your CGT

The table shows capital gains tax indexation allowances for assets sold in June.

Multiply the original cost of the asset by the figure for the month in which you bought it. Subtract the result from the proceeds of your sale; the balance will be your taxable gain or loss.

Suppose you bought shares for £5,000 in September 1985 and sold them in June 1994 for £13,000. Multiplying the original cost by the September 1985 figure of 1.516 gives a total of £7,580.

Subtracting that from £13,000 gives a capital gain of £5,420 which is within the CGT allowance of £5,000. If selling shares bought before April 6 1982, you should use the March 1982 figure. The RPI in June was 144.7.

The Budget decision that indexation cannot be used to create or increase losses for shares sold after November 29 1985, has been modified for £10,000 of transitional relief.

## CGT INDEXATION ALLOWANCES: June 1994

Month	1982	1983	1984	1985	1986	1987	1988
January	-	1.752	1.888	1.987	1.503	1.447	1.401
February	-	1.744	1.859	1.974	1.488	1.441	1.385
March	1.521	1.741	1.854	1.959	1.488	1.438	1.380
April	1.736	1.717	1.832	1.927	1.452	1.421	1.363
May	1.773	1.710	1.826	1.920	1.479	1.420	1.363
June	1.768	1.708	1.822	1.917	1.480	1.420	1.357
July	1.767	1.698	1.824	1.919	1.484	1.421	1.356
August	1.767	1.689	1.809	1.915	1.479	1.417	1.341
September	1.763	1.681	1.806	1.916	1.472	1.413	1.335
October	1.759	1.675	1.598	1.514	1.470	1.408	1.321
November	1.751	1.670	1.591	1.509	1.457	1.399	1.315
December	1.754	1.665	1.592	1.507	1.453	1.401	1.312

Month	1989	1990	1991	1992	1993	1994
January	1.304	1.211	1.111	1.057	1.048	1.024
February	1.294	1.204	1.105	1.052	1.043	1.018
March	1.289	1.192	1.101	1.039	1.029	1.015
April	1.286	1.157	1.087	1.043	1.028	1.003
May	1.258	1.147	1.084	1.039	1.026	1.000
June	1.254	1.142	1.079	1.039	1.026	1.000
July	1.253	1.141	1.081	1.043	1.028	1.000
August	1.250	1.130	1.079	1.042	1.024	1.000
September	1.241	1.119	1.075	1.035	1.020	1.000
October	1.231	1.111	1.071	1.034	1.020	1.000
November	1.221	1.113	1.067	1.036	1.022	1.000
December	1.218	1.114	1.066	1.040	1.020	1.000

Source: Inland Revenue

## NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Yield %	Fall FEP Quot	Savings Scheme Avail.	- Charges outside Initial	FEP Annual %	- Charges inside FEP Initial	Annual %	Minimum Invest. £	- Charges inside FEP Initial	Annual %	Minimum Invest. £	Special offer Discount	Offer Period
<b>■ Southern Africa Fund</b>														
Save & Prosper (0800 282101)	Int Equity growth	0	No	Yes	5.5	1.5	No	1,000	n/a	n/a	n/a	n/a	*	9/7/94-23/7/94
The fund will also invest in Botswana and Zimbabwe; these are volatile markets and S&P advises a maximum 5 per cent holding in a growth portfolio.														
* 1 percentage point discount on £1,000-£2,999; 2 points on £3,000 or more; 3 points until July 1995 through monthly savings plan.														

## NEW INVESTMENT TRUST LAUNCHES

Manager (Telephone)	Broker	Sector	Warrants	Size £m	Yield %	FEP %	Start Date	Charges outside FEP %	Charges inside FEP %	Minimum Invest. £	Minimum Subst. £	Offer Period
<b>■ INVESCO Japan Discovery</b>												
INVESCO Asset management (0800 010333)	Parnham Gordon	Japan	1:5	n/a	No	Yes	100p	95.1p	1,000	1%	n/a	14/7/94-29/7/94
Specialising in Japanese smaller companies, to be run by manager of Invesco's Japan Smaller Companies unit trust												

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	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
<b>INSTANT ACCESS A/cs</b>						
Birmingham Midshires BS	First Class	0945 720721	Postal	£500	5.00%	Yy
Bradford & Bingley BS	Direct Premium	0345 248248	Postal	£1,000	5.40%	Yy
Skipton BS (see 25.7.94)	3 High Street	0756 700511	Instant	£2,000	6.10%	Yy
Nottingham BS	Post Direct	0602 481444	Postal	£25,000	6.80%	Yy
<b>NOTICE A/cs and BONDS</b>						
Exeter Bank	9 Day Call	0392 50835	9 Day	£1,000	6.00%	Yy
City & Metropolitan BS	Super 80	081 464 0814	80 Day	£10,000	6.40%	Yy
National Counties BS	90 Day	0372 742211	90 Day	£50,000	7.15%	Yy
Yorkshire BS	Fixed Rate Bond	0800 378836	30.8.95	£5,000	8.50%F	Yy
<b>MONTHLY INTEREST</b>						
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	5.37%	Mly
Confederation Bank	Monthly Income	0438 744500	30 Day	£2,000	5.85%	Mly
Scarborough BS	Scarborough 94	0800 590576	90 Day	£25,000	6.75%F	Mly
Yorkshire BS	Fixed Rate Bond	0600 378836	30.8.95	£5,000	8.60%F	Mly
<b>TESSAs (Tax Free)</b>						
Confederation Bank		0438 744500	5 Year	£3,500	8.00%F	Yy
Hinkley & Rugby BS		0455 251294	5 Year	£3,000A	7.35%	Yy
Melton Mowbray BS		0984 68937	5 Year	£1	7.20%	Yy
Nottingham BS		0602 481444	5 Year	£1	7.15%	Yy
<b>HIGH INTEREST CHEQUE A/cs (Gross)</b>						
Hallifax BS	Asset Reserve	0422 333333	Instant	£5,000	4.50%	Qly
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yy
Chelsea BS	Classic Postal	0800 717515	Instant	£25,000	6.00%	Yy
<b>OFFSHORE ACCOUNTS (Gross)</b>						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yy
Portman Channel Islands	Instant Gold	0481 82747	Instant	£20,000	8.20%	Yy
Confederation Bank (Jury)	Flexible Inv	0534 608060	60 Day	£25,000	8.80%	Yy
Confederation Bank (Jury)	Investment Cert	0534 608060	5 Year	£10,000	8.25%F	Yy
<b>GUARANTEED INCOME BONDS (Net)</b>						
Liberty Life		081 440 8210	1 Year	£10,000	4.90%F	Yy
Consolidated Life		081 940 8343	2 Year	£2,000	5.20%F	Yy
Consolidated Life		081 940 8343	3 Year	£2,000	5.50%F	Yy
Consolidated Life		081 940 8343	4 Year	£2,000	5.80%F	Yy
EuroLife		071 454 0105	5 Year	£10,000	7.75%F	Yy
<b>NATIONAL SAVINGS A/cs &amp; BONDS (Gross)</b>						
Investment A/C			1 Month	£20	6.25%G	Yy
Income Bonds			3 Month	£2,000	6.50%G	Mly
Capital Bonds H			5 Year	£100	7.25%F	Yy
First Option Bond			12 Month	£1,000	6.00%F	Yy
Pensioners GIB			5 Year	£500	7.00%F	Mly
<b>DAY SAVINGS CERTIFICATES (Tax Free)</b>						
41st Issue			5 Year	£100	5.40%F	OM
7th Index Linked			5 Year	£100	3.00%F	OM
Childrens Bond F			5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (all other rates are variable). OM = Interest paid on maturity. N = Net Rate. P = By Post only. A = Flexible account also required. B = 7 day loss of interest on all withdrawals. G = 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. L = 6.40 per cent on £20,000 and above. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Lane, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0692 500677.

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## A guide to the lenders

For information on the many organisations which operate as building societies, a browse through the Moneyfacts Building Society Directory\* is instructive.

Covering all 84 societies, it shows the full range of the sector - from the mighty Halifax to the small societies which lead mainly within walking distance of their head offices. It also includes a new feature detailing the disappearance of societies through mergers. If you have been kept awake at nights wondering what became of the Magnet or Planet or the Kent Reliance, this is the volume for you.

For existing societies, the directory gives year-end balance sheets along with some other key financial statistics. Information about subsidiaries and available banking services also is provided, along with details of auditors, solicitors and relationships (if any) between societies and life insurance companies.

What the book does not do is set out all the statistical information including addresses for each branch - to be found in the Building Societies Yearbook (published by the Building Societies Association), or analyse how each of the larger societies performed against its competitors (the basis of the UBS Building Society Major Players annual survey).

Still, at £19.95, it is much cheaper than either BSA (£55 for the latest edition) or UBS (almost £300 last year). Perhaps next time, though, it could include the range during the year of the rates paid to, or by, existing savers and borrowers as well as the best and worst deals offered to new customers.

Alison Smith

\*Available from Moneyfacts Publications, Laundry Lane, North Walsham, Norfolk NR28 0BD (0692-500 765).

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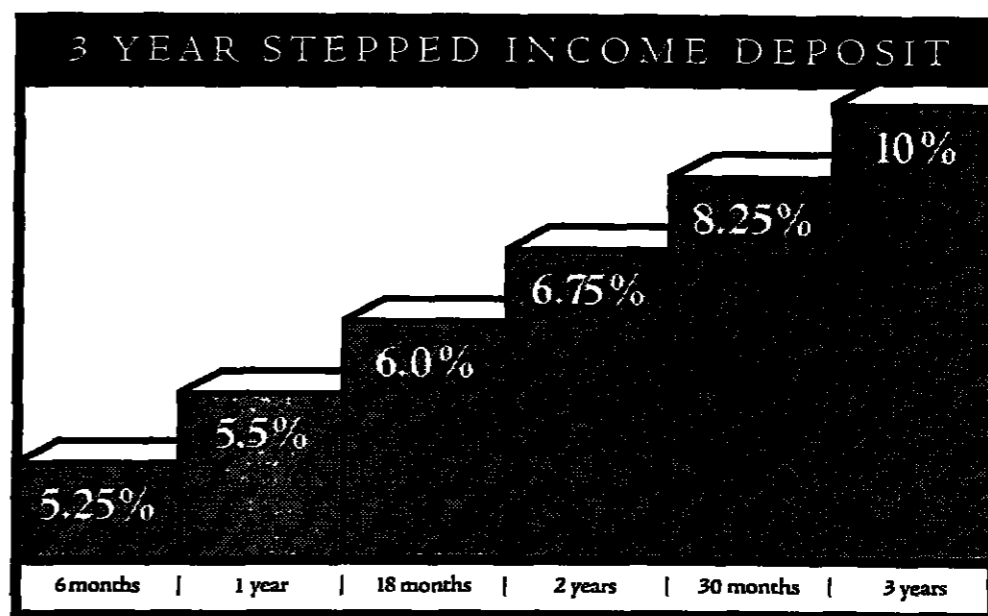
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## PERSPECTIVES

# The legacy of Stauffenberg

Giles MacDonogh looks at the attempt to kill Hitler – and its lasting impact 50 years on

Count Colonel Klaus Schenk von Stauffenberg left the Berlin suburb of Wannsee for the military airport at Rangsdorf at 7am on the morning of July 20 1944. His adjutant, Werner von Haeften, was waiting for him. Together they flew to Hitler's HQ, the so-called Wolf's Lair, at Rastenburg in East Prussia.

Count Stauffenberg was chief of staff to General Friedrich Fromm, head of the Replacement Army. In theory, Stauffenberg was flying to Rastenburg to arrange the creation of two new divisions to protect East Prussia, Germany's eastern-most province, from imminent Russian attack.

In fact, his mission was to assassinate Hitler, a plan that had been years in the making, and his briefcase contained 4lb of explosive.

At the briefing, Stauffenberg sat close to Hitler and placed his briefcase under the table. Soon after, he left the room.

He and Haeften heard the explosion as they got into their car and could see a plume of smoke rising from the bunker. By 1.15pm, Stauffenberg was Berlin-bound and convinced that the bomb had done the trick.

But Hitler was not dead: his ear drums had been pierced, his trousers shredded and his elbow badly bruised, but he had survived.

Confused reports reached Berlin. General Fiebigel, the signals' chief, was able to call his fellow conspirator Colonel Kurt Hahn in nearby Mauerdorf before a communications blackout was imposed: "Something's gone wrong," he said, "the Führer's alive."

Reports that Hitler had emerged unscathed from the debris caused the conspirators to dither in the Bendlerblock HQ in Berlin, from where they were supposed to issue the Valkyrie orders – orders which would have led to the takeover of the government and a

negotiated peace with the allies. The delay scuppered any remaining chances of success.

By the time Stauffenberg reached the Bendlerblock at about 3.30pm, Fromm had discovered from Field Marshal Keitel, who had also survived the blast, that Hitler had survived. When Stauffenberg arrived, Fromm told him the news. But Stauffenberg was adamant: "He is dead. I saw him carried out... The explosion was as if the but had been hit by a sledgehammer. It is hardly possible that anyone could be alive... Keitel is lying as usual." Concerned, Fromm refused to co-operate with the plotters and was arrested and taken away.

According to the Valkyrie orders, the administrative centre of Berlin was to be sealed off by the guards battalion and

Remer in charge of operations against the conspirators and promoted him on the spot. Later Remer would repay his trust by founding one of Germany's first, post-war neo-Nazi parties.

Remer's men stormed the Bendlerblock. In the fray Stauffenberg was shot twice and wounded. It was Fromm, released from captivity, who arrested the ring-leaders. At 12.30am the conspirators were taken to the courtyard to be shot. As Stauffenberg passed a familiar secretary he said: "They all left me in the lurch." As he was led before the firing squad, the faithful Haeften tried to throw himself between Stauffenberg and the bullets. "Long live our sacred Germany," shouted Stauffenberg. Then he collapsed and died. The assassination attempt of

great act of spite, a final attempt to prevent Germany's post-war reconstruction. The SS was still murdering prisoners as the Russians entered Berlin.

Officially, little mention was made of the plot before the creation of the two German republics in 1949. The first time it was celebrated was in 1953, just a month after an abortive uprising in the Russian zone of June 17. The few east Berliners who fled to the west were encamped in the courtyard of the Bendlerblock, and it was there that the mayor, Ernst Reuter, chose to remind them of the martyrs of that earlier revolt against dictatorship.

Since the mid-1950s the July plot has been marked by a ceremony at Plötzensee prison in Berlin, where many of the men of July 20 met their deaths.

*The plot still counts for something in Bonn and appears to be a useful entry on a curriculum vitae*

troops from the training schools on the edge of the city. Outside the Bendlerblock, other conspirators, including the young Rhodes scholar, Adam von Trott zu Solz of the foreign office in the Wilhelmstrasse, realised the attempt had taken place when they saw Berlin's centre closed off by guards.

He watched the street anxiously from the window. To his relief the traffic ceased and soldiers appeared. But three hours later, they shouldered arms and marched off.

Hans Bernd von Haeften, brother of Stauffenberg's adjutant, was not slow to draw the obvious conclusion that the Nazi forces had regained control. He turned "as white as a sheet".

The Nazis survived thanks to Joseph Goebbels and Major Ernst Remer of the guards battalion. Goebbels convinced Remer to speak to Hitler on the telephone. Hitler put

July 20 1944 was the fruit of plans laid in the autumn of 1938. Colonel General Ludwig Beck had resigned as chief of the general staff in protest at Hitler's plans to invade Czechoslovakia. His civilian counterpart was Carl Goerdeler, the indefatigable former mayor of Leipzig.

In the intervening years the conspiracy brought together a powerful cadre of anti-Nazis – noblemen, officers, churchmen, trades unionists, socialist politicians, diplomats and civil servants. Goerdeler busied himself with the structure of the future government and drew up detailed lists of its potential members.

These lists were to be the downfall of many. Of the 5,000 or so people executed after July 20, only about 200 were actually implicated in the plot. The rest were simply prominent opponents of the regime: the core of a future Germany. The purge was to be one last

But despite the hundreds of books which have been published on the subject, little is made of it in schools.

Clarita Müller-Plantenberg, only a few months old when von Trott, her father, was executed at Plötzensee, recalls that the girls at school treated her differently. Many had lost fathers in the war, but they knew that she was special. "They thought I must be Jewish and stayed off the subject." Later she remembers a teacher blushing to admit that he approved of the men of July 20 and what they stood for.

In a number of cases there was a reluctance to honour the dead of July 20 in their hometowns and villages. Von Trott's brothers erected an impressive cross in the woods above the family manor house at Imhausen, but in the village church the verger resisted the idea of a monument.

It was the mid-1980s before von Trott's name appeared in

the church, and then only as part of a general plaque commemorating the dead of the second world war. There were still a few Germans who saw the plotters as traitors.

There was also a natural tendency to see the leaders of the coup as a last flowering of another Germany, no longer relevant to either of the two states created after the war. The romantic history focused on the aristocratic officers rather than the civilians of the plot.

The Grundgesetz of 1949 was to reaffirm the Weimar constitution's Article 1 which abolished noble titles. The new Bundeswehr was also established with the expressed desire to rid the armed forces of all connection with the Prussian military tradition. Prussia itself, which had supplied much of the core of the resistance, was rudely rubbed off the map in February 1947, its eastern provinces being parcelled out among the Russians and the Poles.

It can be safely said that Stauffenberg's "sacred Germany" bore little or no resemblance to either the Federal Republic or the Democratic Republic.

But the plot still counts for something in Bonn and appears to be a useful entry on a curriculum vitae. President Richard von Weizsäcker, for example, doubtless derived credibility from his father Ernst. While he was at the helm of the foreign office, it was barely tainted with Nazism, and many of his protégés went on to become ambassadors after the war.

For von Trott's widow, also named Clarita, July 20 is more important than ever now that the two halves of Germany have been united. With the increase in racial violence she feels that the young need role models who will teach them how to react to blatant injustice.

But perhaps the real proof that German politicians still



Stauffenberg (right): his 'sacred Germany' bore little resemblance to what followed the war

feel the need to show themselves the heirs to Stauffenberg, Beck or Goerdeler is provided by Helmut Kohl, the German chancellor himself. On July 20 of this election year he

decided that he alone would enjoy the right to address the faithful in the grim execution chamber at Plötzensee Prison.

■ Giles MacDonogh's Prussia.

The Perversion of an idea, was published this week by Sinclair Stevenson (£20). There is a paperback edition of his book, A Good German: Adam von Trott zu Solz, from Quartet (£10.95).

## Survivor waits to be made welcome

Maurice Samuelson talks to an anti-Nazi conspirator who has been fighting for justice for 40 years

Instead of attending Berlin's 50th anniversary of the bid to kill Adolf Hitler, one of the leading survivors of the conspiracy remained this week in self-imposed exile from his beloved Germany.

Dr Otto John, 85, told me he spent the day looking out at the spectacular mountains of the Austrian Tyrol, his home for the past 27 years.

As a result of a stroke he can no longer walk and can write only with great difficulty, leaving him dependent on his secretary, the housekeeper who comes every day, and on his gardener.

But this is not why he stayed away from the Berlin ceremony.

It was because, instead of being one of the acclaimed heroes of Germany, John has for the past 40 years been an unpersuaded, a political embarrassment to the Federal Republic and, in the eyes of many, victim of a terrible miscarriage of justice.

Five years after the war he was appointed the first president of the Federal Republic, Office for the Protection of the Constitution, a sensitive intelligence unit intended to counter a resurgence of

Nazism and Communist subversion.

On July 20 1954, the 10th anniversary of the anti-Hitler plot, John attended the commemoration of the plot in Berlin. Later that day he disappeared and turned up in the Soviet sector of the city, where he criticised trends in West Germany, including the lingering influence of the Nazis.

He has claimed ever since that he was drugged and kidnapped as part of a Soviet operation to destabilise the west and that his remarks were made under duress. He also insisted that he had betrayed no state secrets.

That was his plea when, 18 months later, he escaped back to the west. He was tried for treason and sentenced to four years hard labour, double the term demanded by the prosecuting counsel at the high court in Karlsruhe.

For 40 years, John has maintained his innocence and claimed his treatment by the



Dr Otto John in 1950: today he is an 'unperson'

Hulton Deutsch

court was influenced by a desire to punish him for his role in the anti-Hitler underground and by the fact that while others were executed after the failure of the plot, he had survived to continue the fight against Hitler.

General Reinhard Gehlen, former Nazi and head of the Federal Republic's counter-intelligence network set up after the war by the Americans, said of John's apparent defection to east Berlin: "Once a traitor, always a traitor."

After his release from prison, his reputation in tatters, John set out to clear his name. As far as public opinion is concerned, he largely succeeded.

Leading politicians, such as the late Defence Minister Franz-Josef Strauss, and Dr Gerhard Schröder, a former interior and foreign minister, accepted that John was a victim, rather than a collaborator of the Soviets, and that he had not betrayed his country.

But three times, John failed to overturn the judgment of the Karlsruhe court. He vowed that until he succeeded he would never again attend a commemorative meeting for the heroes of the July 20 conspiracy.

In Moscow last year, however, John met two of the former KGB officers who had interrogated him in Berlin and Moscow immediately after his disappearance.

They have since made sworn affidavits at the German

embassy in Moscow indicating he was not a defector but that he had been abducted by agents of the KGB as part of the cold war.

Two weeks ago, a lawyer acting on John's behalf incorporated their statements in a new application to have the case reopened.

If the court agrees, there is a chance that John's reputation will at last be vindicated and he will no longer feel an outsider in his own country.

"I hope that the new generation of German judges will be different from the ones who first sentenced me," he said on the telephone this week.

Meanwhile, there is no controversy about his role in the events of July 20 1944 and in the struggle leading to Hitler's final overthrow.

A few hours after the bomb went off in Hitler's field headquarters at Eastenburg on the morning of July 20, John was personally briefed by the man who had laid it near Hitler's

feet – Count Colonel Klaus Schenk von Stauffenberg.

John had been in touch with leading anti-Nazis since 1937. His friends included Klaus and Dietrich Bonhoeffer, two of the leading martyrs of the German resistance.

From 1942, John had used his position as legal adviser to Luftwaffe, the German air force, to act as the German resistance's liaison with British intelligence. (The M16 officer who evaluated it in London was Graham Greene, according to the new biography published this week, *Graham Greene, The Man Within*, by Michael Sheldon, Heinemann.)

Immediately after the events of July 20 1944, John escaped first to Spain and then, via Lisbon, to Britain, where he

aided the BBC's anti-Nazi propaganda, interrogated high-ranking German prisoners of war and, later, assisted the prosecutors at Nuremberg.

However, in an ominous foreboding of John's later mal-

treatment by the Soviets, his entry to Britain was resisted by Soviet master-spy Kim Philby, who was Graham Greene's boss in MI6's Iberian Department. Stalin suspected that any contacts between Britain and the anti-Hitler resistance could have led to a separate peace between Germany and the west. During his 18 months of captivity in the Soviet Union he was repeatedly questioned about the possibility of such a deal.

John's main nemesis, Moscow witness, regarding the events of 1954, is ex-KGB General Eugen Panyushkin who, John says, interrogated him in Berlin and Moscow. At that time, Panyushkin used the cover name "Chernov".

But he is not sure that his appeal, if held, will succeed, and because of his age he would probably be dead by the time that happened. "I have had many disappointments over the years," he said.

Today, John's strongest supporter, and closest friend, is 88-year-old Prince Louis Ferdinand, head of the Prussian former royal family. If the court allows his new appeal, John is expected to stay at the prince's home in Berlin during the court hearings.

### Dispatches/Pushkar, India

## Hare Krishna and banana shakes

Mark Hodson hangs out in a hippy-filled corner of Rajasthan

A teenage girl with wide eyes and pierced nose was being led by one arm down to the holy lake. A bearded sadhu with a bare chest pressed flowers, sweets and a few grains of rice into her hand. "This is the ancient *puga* ceremony," he said, thumbing a red dot on to her forehead.

"It's so cool," said the girl, who was called Caroline and was spending a year in India before her first term at Oxford.

"Repeat after me," said the holy man. "I pray for health, happiness and success... and I make a donation of 100 rupees."

Caroline woke briefly from the spell. "100? How about 50?" The man suggested 60. "That's cool," she replied, with a wide smile.

Pushkar is a small, pretty town built around an oasis on the edge of a desert in Rajasthan. According to Hindu legend the god Brahma dropped a lotus flower there and a lake sprang up at the spot. For more than 3,000 years, devotees have travelled from across India to worship at some of its 400 temples. Around 90 per cent of Pushkar's 11,000-strong population is connected with the priesthood: the other 10 per cent appear to work in the tourist trade. Some people, like Caroline's friend, dabble in both.

Pushkar's tranquillity, idyllic setting and air of authentic spirituality have made it a popular pit-stop on the Indian tourist circuit. Many visitors find it an antidote to the chaos of the big cities and stay for weeks at cheap backpacker guest houses. As a result, unsuspecting Pushkar has become a hippy hangout.

Along the narrow main street, dodging cows and bicycles and holy men and beggar-women, stroll

Europe's drop-outs in tie-dye trousers and embroidered waistcoats. Following them from shop doorways come familiar whispers: "Hello friend, good hash, change money, buy something."

Because Pushkar is a holy place, alcohol, meat and even eggs are banned, and signs warn foreigners against kissing in public. Yet almost anything else seems possible: you can get a shave and a massage in five languages, buy uncut rubies and chocolate biscuits, drink milk-shakes and eat Chinese and swap your copy of *Midnight's Children* for a dog-eared *City of Joy*, or *Zen and the Art of Motorcycle Maintenance*. One shop front promised: "Ear and Nose Hole Possible Here."

At last it was still dark as dozens of temple bells rang to summon the faithful to icy dips in the lake. Pilgrims, shivering and fully-clothed, bathed at the white-washed ghats lining the shore.

At the top of a steep hill overlooking the town there is a 2,000-year-old temple where a sad-looking priest swathed in saffron gave me a cup of steaming tea as we watched the sunrise together. Through my telephoto lens he studied the squat buildings below, clustered around the tiny square of water. Then he asked how much the camera cost:

"More than 10 English pounds!"

Distant drums pounded as the rising heat brought the desert to life. Monkeys appeared and parrots, then great vultures launched themselves into the air with a single flap of their wings, circled slowly and returned to their branches to wait.

On the path back into town a small boy was herding goats as a pair of wild peacocks danced through the dust. At Sanjay's Rooftop Restaurant there were fairy lights above the door: too late for Diwali, too early for Christmas. Over a breakfast of porridge and honey toast I listened to two dazed German hippies argue about how much dope they had smoked the previous evening, until their slurred protestations were drowned out by a screeching tape playing one, seemingly interminable song: "Hare Krishna, Hare Krishna, Krishna Krishna, Hare Hare..."

Outside, a *sadhu* with long white beard and ashtray specs, as skinny as a dog, was washing himself under a banyan tree. He reached with a bar of soap into the depths of his loin cloth and a hippy girl in beads and sandals averted her eyes.

By mid-morning the first pilgrims had arrived: Indian families on day trips from Delhi and Jaipur clutching packed lunches and drinks



Pushkar: a holy place where meat, alcohol and even eggs are banned

Mark Hodson

flasks. As they hurried from one holy place to another dressed in ill-fitting suits and Sunday-best saris, they threw bemused glances at the brightly-coloured hippies.

At the red-spiced temple dedicated to Brahma, beside a sign saying "Domestic For Cows", a smartly-dressed young man clutched my hand and said: "Give me your

address and we will be best friends." Disarmed, I obliged, although I am still waiting for him to write.

The temple floor was carved with memorial stones and, beside the names of the dead, the marble was inlaid with silver rupees bearing the heads of George V and Edward VII, reminders of an earlier, west-

ern presence.

For one week in November, Pushkar bursts into life and colour when its annual camel fair attracts up to 200,000 villagers from across Rajasthan. Prices at hotels and restaurants soar and the barefoot budget travellers move out to make way for well-heeled tourists and film crews from Tokyo, Paris and New York.

When the dust has settled and tariffs have fallen back to earth, the hippies return to find the same bars blaring out the same old Rolling Stones records, the shops selling the same Kashmiri carpets – possibly silk, possibly not.

Those who linger in Pushkar perhaps know it is not the "real India" – no single place could encapsulate the seething sub-continent – but this desert oasis is closer to their dreams of India than the heaving, polluted cities that surround it.

And everyone is a winner in such a glittering collision of cultures. The grinning Indians provide colour and chicanery, blessings and badly-made clothes. In return, the west sends its great unwashed – gangly youths with tattoos and matted hair who exchange hard currencies for a piece of potted mysticism and cheap, worthless bangles and beads.

At the Palace Hotel, a former home of the Maharaja of Kishangarh and now, at \$5 a night, the most expensive place to stay in Pushkar, guests were taking their positions for cocktail hour. We sat on the lawn in wicker chairs to watch the sun dip behind faraway hills turning the sky pink and gold.

Expert advice was offered as to the exact moment to take photographs ("Now man! This is it, perfect, take the thing!"). The sound of temple bells drifted on the evening breeze and, in the parched section of the lake, schoolboys played cricket with a home-made bat.

Later I returned to Sanjay's Rooftop Restaurant. The same tape was playing: "Hare Krishna, Hare Krishna, Krishna Krishna, Hare Hare." Only this time the shrill, insistent tones seemed strangely soothing. I ordered a banana milkshake.

## SPORT AND MOTORING

Tennis/John Barrett

## Left with the legend of Borotra and Hoad

It is one of life's hard lessons that nothing is for ever. In the past two weeks the lesson has been particularly hard to bear with the passing of two tennis legends who were both old friends.

On the day when the 22-year-old American Pete Sampras was adding to his fame in this year's Wimbledon final, Lew Hoad, the great Australian champion of the mid-1950s, died aged 59 near his home in southern Spain following a short illness.

Like Sampras, Hoad had successfully retained his Wimbledon title in 1957, the first post-war champion to do so. Since that day only Rod Laver, Roy Emerson, John Newcombe, Bjorn Borg, John McEnroe, Boris Becker - and now Sampras - have achieved the feat. Last Sunday, 450 of us, all friends of Lew, gathered with his wife Jenny, son Peter, and two daughters, Jane and Sally, to celebrate his life on the lawns of their Campo de Tenis in Fuengirola. Later that day, we heard that just across the French border, near Domaine de Pouy, his original home near Biarritz, Jean Borotra, the Bounding Basque of French tennis in the 1920s, had died, aged 55.

These last few days, the camera shutter of memory has clicked constantly. There are vivid pictures of both men: Hoad smiling that mighty

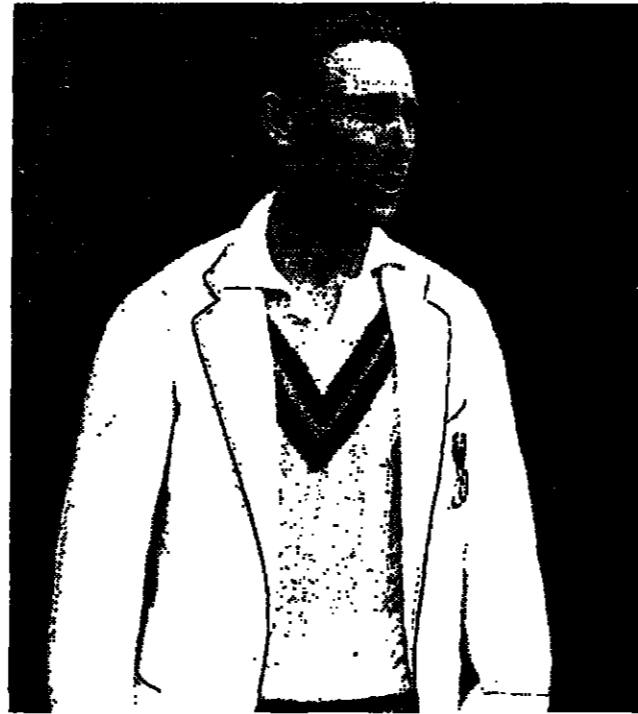
backhand to destroy Ashley Cooper 6-2 6-1 6-3 in the 1957 Wimbledon final, one of the shortest on record.

Borotra, aged 51, leaping like a gazelle for a backhand volley on the old East Court at Queen's Club in 1949 to beat 27-year-old Geoff Paish for his 11th British covered court title. Hoad lifting an inebriated Roger Becker to his feet at the New Fitz Club in Bournemouth during the hard court championships of 1957 and carrying him out to his car with one strong arm.

Each man had that elusive quality, charisma, and each contributed greatly to the evolution of the game. Borotra, without much of a serve, showed what could be accomplished as a volleyer if you had fast enough feet, hands and reflexes - all qualities he had developed as a pelota player in his youth.

He was also a master of match-play psychology - perhaps even the inspiration for Stephen Potter's marvellous works on *Gamesmanship* and *Lifemanship*. He would make a great show of donning the beret to rouse the crowd and would delight them by leaping into the lap of a pretty girl in the front row.

He was always chivalrous and would applaud an opponent's good shots. At a change of ends Jean might say: "...well done! You are hitting your service so beautifully today - I've never seen you hit it better." You would spend the next five minutes wondering what made the shot special and, hey presto, you had lost your serve.



Jean Borotra in 1925: master of psychology



Lew Hoad: forerunner of today's power players

He had tremendous energy and enthusiasm. In the 1960s, when I was managing a British team at the French championships, Jean persuaded me to partner him in the doubles. He was well into his 60s and insisted that we limber up in the Bois de Boulogne prior to combat. Mercifully, we lost our first match and I was spared further torture.

For whom the six years of French Davis Cup dominance, from 1927 to 1932, with his fellow Musketeers, Henri Cochet, Rene Lacoste and Jacques "Toto" Brugnon, represented all that is best in sport. The comradeship of those days - all for one, one for all - never died. All four were dedicated to the ideals of the International Club of France, established in 1929, following the founding of the British Club five years earlier by Wallis Myers, a former international player who was then tennis correspondent of the Daily Telegraph.

The two clubs have met twice a year since 1933 and Jean's incredible record of playing in every one of them until last November - 118 in

all - is surely unique. Borotra inspired successive generations of French players and was there at the Davis Cup final in Lyon three years ago to see Yannick Noah's team of Guy Forget and Henri Leconte score their famous victory over the US, led by Andre Agassi and Pete Sampras. He shed tears of joy at the end.

Hoad, the forerunner of today's power players, had a tremendous physical presence on court that would often intimidate opponents, although he was actually a very shy man.

With the blond good looks of a Robert Mitchum, Hoad was also immensely strong thanks to a training regimen that was unusually advanced for that era.

With a powerful forearm and wrist he could hit the ball hard and early only because he possessed sound stroke production plus a natural ability to time the ball perfectly - essential qualities for success with a wooden racket that was 26in long, 1in shorter than the conventional frame. One shudders to think what devastation Hoad would have caused using a graphite frame.

Hoad's first great performance came in the Davis Cup challenge round of 1953 against the US, played in Melbourne. Harry Hopman, the Australian captain, decided to blood the "twins" Hoad and Ken Rosewall, who were both 19. The

key to success lay in finding a way to beat the top American, Tony Trabert.

On the opening day Trabert beat Rosewall and Hoad beat Vic Seixas. The Americans also took the doubles, so the fourth rubber, Hoad vs Trabert, would probably decide the tie. In a magnificent match, played in intermittent drizzle and with both men wearing spikes, Hoad won 7-5 in the fifth set. The next day Rosewall duly beat Seixas and the cup remained in Australia.

Playing Hoad was an instructive experience. I had lost to him in the third round at Wimbledon that year and remember wondering why I was so slow. When you went to the net, the ball seemed to come at you just that bit faster than expected. Consequently, you were late on the volley. At the baseline the ball would bounce so close to the line that you always felt rushed.

Three years later, Hoad made everyone look slow as he beat his old friend Rosewall to win the first of his two Wimbledon titles. Already the winner in Australia and France in 1956, Hoad needed to win the US title to achieve the grand slam, a feat accomplished only once before, by Don Budge in 1938. By a twist of fate it was Rosewall who beat him in the US final. Champions come and go but it will be a long time before we see two such great ones again.

Cricket/Simon Hughes

## Lord's be praised

For once at a Lord's Test, the focus is on the cricket rather than the salmon en croûte. South Africa are playing there for the first time in a generation and thousands of pairs of eyes have been locked on the drama unfolding on the field.

Sometimes, people forget that Lord's is more than five acres of manicured turf and a sloping pitch that baffles inexperienced bowlers. It is also a living, working monument to cricket.

I am not referring to the Jingozeen punch bowl circa 1786 exhibited in the pavilion - a unique piece of Chinese porcelain - or to the oil paintings, the miniature urn containing the original Ashes or the stuffed sparrow which was struck by a delivery one day in July 1936. (Both the sparrow and the ball were pronounced dead.) The pavilion is just one facet of a great ground.

But there are other nooks and crannies from where you can actually see something alive and kicking. Take the new Mound Stand, for instance. At the top is the debenture area where the wealthy and privileged enjoy the best view there is.

Lolling under the swirling roof feels a bit like watching the game from a marquee with the flaps up - far better than the cramped breeze-block hospitality boxes directly below. Within, there is an audible buzz as people who have stumped up a cool £3,000 interest-free minge at the bar or

loiter on the precipitous stairs. "Do they still have sixes in cricket?" asks a man with a fat cigar who looks about to keel over.

Most people are in blazers and sticks but down below, in the public seating, there are panamas and large men with bare torsos ignoring the advice from the public address that in this heat, sunburn occurs in 35 minutes. They will have paid £38 for a seat, something of a hike from the equivalent of 75p it would have cost a spectator the last time South Africa were at Lord's.

The upper reaches of the Mound Stand are presided over by Eric, a jovial Jamaican, who has stewarded at the ground since 1957. He issues passes and greets regulars with a broad grin. He is the antithesis of the dreaded Lord's gate-men. VIPs and hangers-on are ferried between levels by a small lift manned by an elderly attendant who has not seen a ball bowled all day.

Directly opposite, across the field, is the Grand Stand, crowned by Old Father Time, the weather-vane. Because of the prevailing wind, Father Time usually has his back to the cricket. Beneath are the scorers in their cluttered perch, putting dots in books - quite a lot while Kepler Wessels was batting - or fiddling with computers. A woman sits in the corner programming the electronic scoreboard.

At ground level, with barely a glimpse of the cricket, Vince

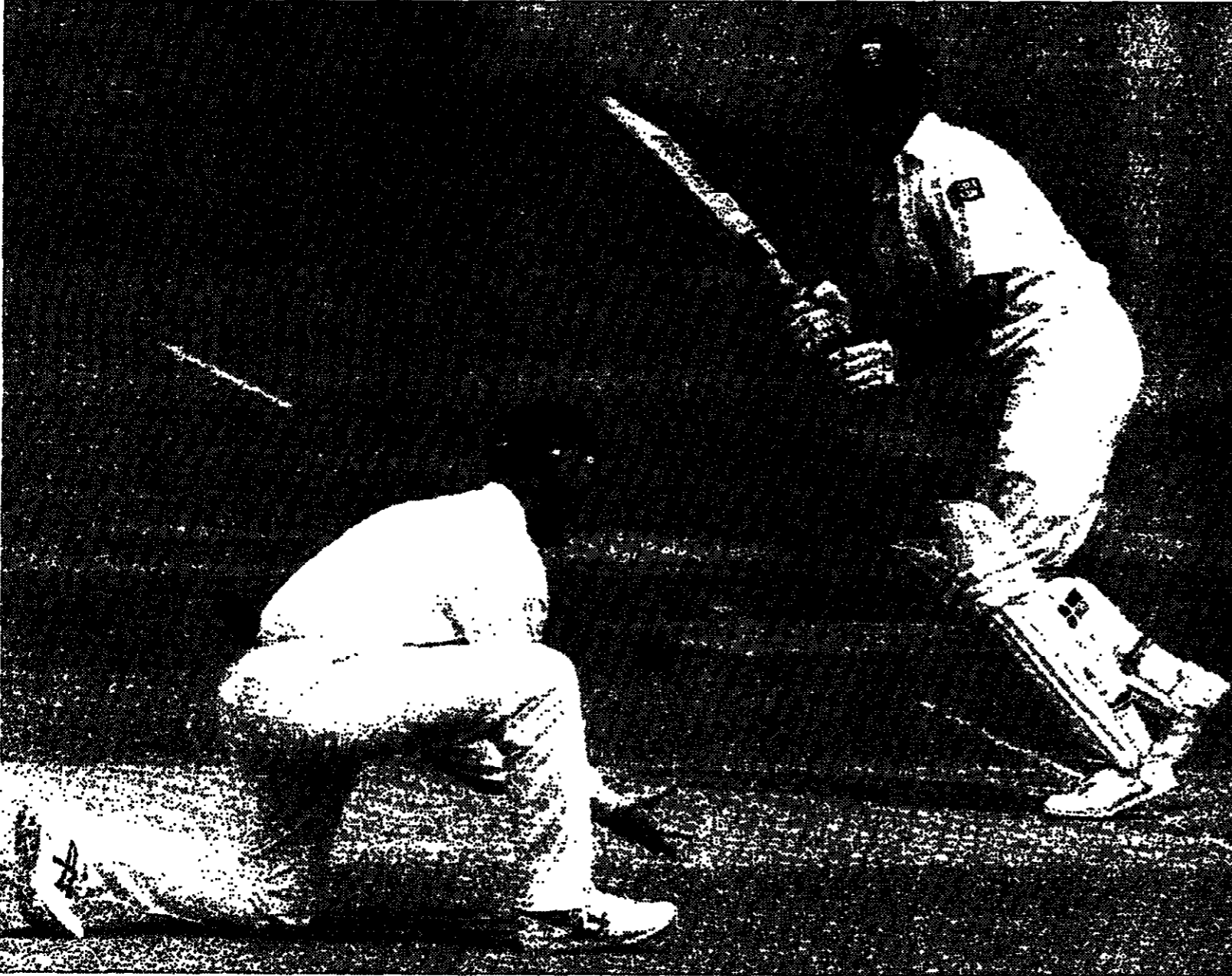
and Charlie hand-set the old Heidelberg printing press because there is an urgent demand for more score-cards. "We've sold 9,000 already today," Vince says proudly. The room has a curious aroma of ink, mustiness and is a museum in its own right, with score-cards dating back to the 1924 South African Test, old signed bats and letters from Harold Larwood. Thursday's card was updated at the close of play, and later a queue developed for souvenirs.

Meanwhile, Wessels, the South African captain, was chiselling runs in his awkward, crabby way, oblivious to the masses desperate for excitement. MCC members removed their jackets and loosened their ties and the deep purple-ness of their faces seemed ever so slightly to subside.

When the lurchers returned to their seats at about 4pm, the score had hardly changed. "Bit slow," people muttered, "but it's understandable, it's their first match back."

Which is not quite true, of course. This Test is actually the South Africans' 15th since re-admission to world cricket 2½ years ago, and they have become a tough, resilient unit, if not a devastating one.

Their cricket has been full of great commitment and passion, with just one ironic twist. The South African team is still all-white; their most talented black player, Jacob Mulaudzi, a Sowetan left-arm spinner seconded to the MCC this summer, was in a small booth selling score-cards.



England's John Crawley fumbles a catch as South African batsman David Richardson looks on at Lord's yesterday

Motoring

## Promise unfulfilled

When Audi unveiled the first Quattro at the Geneva Show in 1980, it seemed that all high-performance cars of the future would have full-time four-wheel drive. Having tried it, I certainly thought so.

The ease with which this potent turbo-charged coupe could be driven quickly and safely on surfaces ranging from dry tarmac to loose gravel and frozen slush was a new experience.

That was in 1980. Actually, the Quattro was not the first 4x4 road car of its kind. Jensen had beaten Audi to it by some years with the FF model. But Jensen made only a small number of FFs and, sadly, I never got my hands on one. The Quattro started a trend that other volume makers followed.

Four-wheel drive has since swept the world of rallying but not of normal motoring. For road cars, it is a story of promise unfulfilled. Audi still offers the quattro with all-wheel drive transmission on its complete range. There have been - in some cases there still are - all-wheel driven versions of cars such as the Ford Scorpio and BMW 5-Series, Porsche 911 and Peugeot 405.

They are, however, a minority choice. And most of the really high-performance cars - Ferraris, Aston-Martins, BMW 8-Series, Mercedes SL and so on - are rear-wheel driven. Motorists associate four-wheel drive road-going vehicles mainly with keeping going in snow. Very good they are at it, too. (Paradoxically, 4x4 on-off roaders are much less popular in Lapland, where winter lasts for six months, than in England's lifestyle-conscious home counties. Northern Scandinavians rely on spiked snow tyres and, to a growing extent, traction control.)

By matching power output to tyre grip a traction control system (TCS) curbs wheelspin on slippery surfaces. Cars fitted with it are unfazed by snowy hills. Just as significantly, they do not become unruly if accel-

erated savagely, or cornered imprudently fast, on wet roads. TCS is now standard on some cars with an abundance of power (such as the latest turbocharged Rover 600i and Vitesse Sport) and offered by manufacturers as an option on others. They have been persuaded that it gives many of the benefits of permanently engaged four-wheel drive without the extra weight, complica-

**Stuart Marshall asks why four-wheel drive is not more common**

tion and cost. Subaru begs to differ. It is wedded to four-wheel drive. Apart from a recently introduced front-wheel driven entry model Impreza family saloon or hatchback, it has sold nothing but four-wheel drive cars for years.

Currently they range from the tiny Vivio (£7,047), super-mini-sized Justy (from £8,149), Impreza 4WD (from £12,849) and Legacy (£13,999 upwards) to the stunning SVX, at £30,849 perhaps the most pleasurable

high-performance coupe I have driven.

When Subaru were first sold in Britain more than 20 years ago they had a simple kind of selectable four-wheel drive. Normally, the power went to the front wheels. When you felt the need for extra traction, you switched it through to the rear wheels as well.

These early Subarus had high and low ranges of gears in four-wheel drive and were astonishingly capable off-road. Just how good I discovered on a military vehicle testing ground. Over terrain many owners of full-blooded on-off road 4x4s would not dream of venturing on, the Subaru just kept going, climbing 1-in-3 slopes, sliding its well-protected underside over high humps and plunging through wellie-deep water.

Of course, knowing that a monster cross-country vehicle is ready to pull you out should you get stuck makes one feel very brave. I would not have gone where I did if my only recovery equipment had been a shovel. But country people who really have to drive across their own muddy fields and pull sheep trailers up steep hills know Subarus are very hard workers. Yet they behave



The Subaru Impreza Turbo 2000 4WD 5-door. Like Ford's Escort RS Cosworth, a rally car civilised for road use

like normal cars on proper roads.

The latest Subaru to come my way was the 208-horsepower Impreza Turbo 2000 4WD. In common with all Subarus, apart from the Vivio microcar, it has an engine with horizontally-opposed cylinders - the kind Germans call a boxer. Like its Ford counter-

part, the Escort RS Cosworth, it is based on a rally car but has been civilised for road use. It has far more performance than could possibly be exploited on the highway: a top speed of 142mph/229kph and 0-60mph/96kph acceleration of 6.3 seconds are claimed.

What its four-wheel drive means in day-to-day motoring

is complete sure-footedness regardless of road surface. The Impreza has power steering, driver's airbag and anti-lock braking as standard at £17,499 for the 4-door saloon, and £17,998 for the 5-door hatchback. Its insurance group is 17 compared with an Escort Cosworth's 20 and it comes with a three-year/60,000 mile

(96,000km) warranty. The ride is firm, with some tyre thump, and the transmission majors on ruggedness. It seats four comfortably, five at a pinch, and has ample luggage space. But with all that eager performance it is not a car I would recommend to anyone with driving licence penalty points.

## MOTORS

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## FASHION / HOW TO SPEND IT

## A close-up shot of the catwalk couture

Avril Groom examines the detail of the top designers' creations



**W**orks of art have rarely attracted as much hype as the clothes in some of this week's haute couture shows in Paris.

The celebrities with their entourages (Prince and Sylvester Stallone at Versace, Joan Collins at Chanel and Valentino, Shakira Caine everywhere), the gangs of heavies, the strange cult of supermodels who become global personalities purely on the strength of their visual image - all this creates an ambience more appropriate to the world of showbusiness than to fashion.

It goes with the well-worn jibes about the unnecessary profligacy of couture - how it is expensive beyond the dreams of avarice, how it is worn by a mere handful of women and how it only exists for publicity value.

This view does the clothes themselves no favours and neither does seeing them on a remote catwalk. Only by examining them, getting as close to them as the women who buy them, and by imbibing the atmosphere of a designer's studio in the hectic weeks before



Versace's high-glamour black silk evening dress with fish-scale bodice.

Detail: "scales" made of metal rings threaded on to hand-turned black ribbon

a show does the logic behind this apparently outrageous industry start to make sense.

I would have to quarrel with Coco Chanel's assertion that haute couture is "a technique, a job, a commercial undertaking".

The clothes themselves may be merely examples of high craft but the effort of creation and co-ordination which a designer makes must give him a claim to artistry equal to that of a conductor or composer.

Dior or Givenchy have the purest outline of a suit or shoulderline. Balmain and Ungaro manage the most delicate conjunction of lace and chiffon, while Versace, Lacroix and Chanel have the cut of the moment, one that makes the most of female curves.

The couturier's art lies in flattering and glorifying the female body - even those not shaped like supermodels - with clothes that are unique to that woman. Along the way they keep alive artisan techniques that might otherwise die out.

The Comité Colbert, which promotes the luxury goods industry, is so worried about the possible demise of these skills that it has taken to running courses introducing teenagers to manual crafts.

Even Chanel, despite its reputation under Karl Lagerfeld's designship, has problems attracting young apprentices.

"It's a matter of attitude," says Catherine Rivière, director of haute couture. "Karl expects everyone to feel the same commitment and love for



Chanel's hourglass-curved red wool crêpe bodice.

Detail: shaped pocket and raised seams with perfect parallel stitching

couture that he does. If they are happy to work for 200 hours on one blouse, if they can go to a fitting and be proud of how their work looks, not envious of the rich woman who is wearing it, then they are right for us."

Cutting and sewing couture is, according to a future chief d'atelier at one of Yves St Laurent's two tailoring workshops, "a continual learning process. You can never say your training is over. Similarly a garment is never finished. You can always improve the detail."

St Laurent's workrooms thrive on the quality of their handwork. Details such as a hand-sewn, contrasting silk lining and the way a ruffle is set between that lining and the outer fabric, or a simple-looking trim that is in fact a complex confection of appliquéd velvet and decorative stitching - these are the private fruits of the contract between client and couture house.

And such details explain why St Laurent still has the biggest regular clientele, said to number around 400, in spite of rumours that the designer himself is now less creatively involved.

Here, shapes are traditional, though this season's experiments with both very short skirts and the new knee-length bell shape, teamed with small fitted jackets curvily seamed to the figure, and richly-brocaded Chinese styles for evening, are an unqualified success, a collection that recalls his glory days.

The St Laurent client still prefers contemporary quality to trend statements but this new modernity may prove prophetic, as may Chanel's recruitment difficulties because, by all accounts, couture is undergoing a small boom.

Dior reports sales up by 14 per cent last year while Lacroix and Versace both claim a new clientele of young Europeans who want simpler but glamorous "occasion" clothes which will work in their wardrobes for years and who appreciate the handwork involved.

Christian Lacroix is the designer *par excellence* for decorative flourishes and historical references yet his simpler draped chiffon *Directoire* dresses have been his greatest success.

He is also very aware of couture's role as an ideas powerhouse, particularly in the field of fabrics and technique. His new collection fuses specially invented ways of working fabric with revived design ideas such as the puffed Edwardian shoulder, the hourglass corset and a knee-length A-line skirt with fluid movement.

As the collection's orchestrator he persuades craftsmen to invent techniques that give the effects he wants.

"He has a very clear idea in mind which he communicates to experts who then try and deliver it," says his assistant Laure du Pavillon.

"The whole show collection is produced in two months and the atmosphere in the studio, as various elements come together, is fantastic."

An example this season is the use of large, coloured paillettes which Lacroix wanted to look fluid rather than 1960s-stiff. This meant sewing them into an experimental underlying network of stretch silk handkerchief.

Opposing Chanel, he views such craftsmanship as "not unlike an art" and so complex and painstaking are his designs that his atelier of 40 workers can make for clients no more than 120 pieces (and one outfit may contain 3 pieces per piece).

This is patently not an economic undertaking but is regarded as essential for the house's creative development.

Versace is another noted fabric innovator. Like other couturiers, his traditional deco-



Dior's elaborate decoration is as spectacular as its immaculate tailoring.

Detail: a black velvet jacket has a complex trim of satin, embroidery and punched crocodile skin

tion is done by the great Paris embroidery houses such as Lesage, but he also works closely with German and French companies specialising in metallic fabrics.

They have developed a fluid "chainmail" at his behest, while other handworked finishes - such as a fishscale-effect bodice, which on close inspection turns out to be made of fine silver rings threaded on to hand-turned ribbon - are made in his Milan workshops.

Even in couture Versace has an eye to commerce. He is a supremely flattering and glamorising cutter and the impact made by actress Elizabeth Hurley attending a London film premiere in one of his dresses apparently held together only by safety pins has sparked many imitations.

Karl Lagerfeld at Chanel has sometimes completely subsumed couture tradition and technique in headline-grabbing razzmatazz, but not this time. Complex technique is paramount though not always easily visible.

On the catwalk, precision-cut jackets, cinched and fluted like an hourglass, look effortless. But in fact they contain up to 30 pieces and are shaped by a profusion of curved, raised seams, each stitched to within a millimetre's accuracy.

In ready-to-wear, the famous braid trim is sewn on to the edge of satin and an appliqué of velvet, or a mix of hand-plaited fabrics, or tweed made into a fine bias rouleau and applied by hand.

The basic silhouette is a refined version of the tight-

waisted, full-hipped shape reviled when Vivienne Westwood showed it in March. In Chanel's mix of subfusc shades with the occasional bright or pastel tweed it looks at once nostalgic and sophisticated. Its craft is beyond reproach yet any general fashion influence it has will be on overall shape.

In spite of the supremacy of couture technique, it is the bright, immediate media image to which even the most cynical of us is susceptible.

Looking for a pair of shoes to replace ones ruined in the tropical downpours which have plagued Paris this week, I found myself tempted by a pair with a well-known designer label.

Were they really more attractive and wittier than any others, or did I just imagine that that safety-pin trim would make some of the magic of Elizabeth Hurley's dress rub off on me?

Detail pictures ..... Ben Coster  
Catwalk pictures ..... Neil McInerney and Ben Coster



Yves St Laurent's ladylike forest-green wool crêpe suit with burgundy velvet trim on pockets.

Detail: pocket trim made of hand-cut velvet and decorative stitching, silk-lined and appliquéd on



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## Shopping marches on

Lucia Van der Post reports on two new victims of shopaholics

**O**ne in six of us is a shopaholic, Mintel reports, and although this seems a depressing statistic, I prefer to look at it the other way and think that five out of six of us are not. That species - so highly developed in America - which needs to shop in order to feel it exists, is still a rarity in the UK.

But there is disturbing evidence that it is increasingly difficult to find a shopping-free zone, no matter where you go. Wimbledon, the Royal Opera House, Hampton Court Palace, Buckingham Palace... you name it, they will be trying to sell you more than spectator sports or a cultural experience. They will be there with their souvenirs,

special offers, postcards and scarves.

This summer two more bastions have fallen prey to the notion that no experience is complete unless there is the opportunity to shop. Goodwood, that most demure of race courses; and Glyndebourne, that most magical of opera houses.

In Sussex, Glorious Goodwood is about to begin. It runs from Tuesday to Saturday and aficionados will know, it has always had a

completely different atmosphere from Ascot. There are fewer of the international or Euro-chic set around, dress-codes are informal, even for the Richmond enclosure, and picnics are part of the treat. This is not the place for blindingly smart jackets and short skirts. Go instead for soft jackets and flowing skirts - think country prettiness instead of metropolitan chic.

As for the chaps - where Ascot is morning dress and top hats, Goodwood is full of

racegoers in blazers and

chinos or linen suits and

panama hats.

Friday sees a grand ball in conjunction with Tiffany, the jeweller, and, to coincide with Goodwood Week, the company has launched a first collection of Goodwood-related products.

The collection is small and based on the colour yellow - a particularly brilliant shade found in a Stubbs painting. You can choose from socks, head-scarves, silk ties, braces, umbrellas and panama hats.

You could spend 50p on a

pencil, £30 on a Panama hat or

£65 on a silk scarf.

During Goodwood Week there will be a shop near the paddock. Afterwards, everything will be available by mail order (brochures and details from Goodwood House, Chichester, West Sussex, PO18 0PX. Tel: 0243-774107).

Those who have already been to Glyndebourne may have noticed that the new shop sells a host of items that could come to the rescue of

forgetful punters - you could buy chocolates or champagne (£25), waterproof-backed picnic rugs (£55) and ultra-lightweight folding seats (£34.75), insulated bottle bags and champagne stoppers, canvas bags and umbrellas, all in Glyndebourne green.

Also on sale are photograph albums, address books, notebooks and pencils. For opera buffs there are recordings, videos, opera journals and the like. Prices range from 98p for the notebooks to £11.95 for a visitors' book.

The shop is open from 3pm until the end of each performance. A catalogue is being produced for the autumn. Details on 0273-812321.



Diners at Harvey Nichols: you can opt for an attractive wine pricing policy there on Monday nights

## A customer-friendly bottle

Nicholas Lander reports on a new trend in restaurant wine pricing that saves diners' money

The adage in the restaurant business used to be that "you never see a good restaurant advertise". This is no longer true. A number of leading British chefs and restaurateurs have taken part in the recent multi-million pound American Express campaign.

And in New York, Alan Stillman has managed to keep his restaurants - The Post House, Smith & Wollensky, Cité and The Manhattan Ocean Club - humming by the use of full-page advertisements in the New York Times.

Although such advertising is invariably too expensive for the single restaurant, there is no doubt that the industry is aware that it must promote itself continually to compete for its customers' disposable incomes.

And now it appears restaurants

are beginning to put their wine lists to work in a way which can bring financial savings to their customers.

The process started in New York at the beginning of the year but has now surfaced in the smart Fifth Floor restaurant of Harvey Nichols, the department store, in Knightsbridge, west London. There, on Monday nights, you can buy your wine in their wine shop and take it to your table at no extra cost.

The restaurant's mark-up is completely foregone in a brave - and so far seemingly successful - attempt to boost business on what is invariably the quietest night of the week. Dining there recently, we began with a half of Bernard-Verges 1988 from Rollin Peru (\$9.95 in the shop, \$13.50 on the restaurant wine list) and then moved on to a bottle of 1985 Barbaresco from Mascarello (\$15.50 from the shop, \$28.50 on the restaurant wine list) which the sommelier decanted most professionally.

Both choices showed how consumer friendly this pricing policy can be. The first wine was slightly disappointing but not excessively so, given the price we were paying.

The second was so glorious that we felt we were enjoying a most wonderful bargain.

This scheme has been instigated by the restaurant's manager, Edward Hyde, originally to promote the wine shop.

"Obviously when we began the scheme," he says, "we were concerned about its impact on profitability. Margins have been affected but there have been two major compensatory factors.

"The first is that we have significantly boosted business on Monday evenings and, secondly, those who are coming on a Monday night are entering into the spirit of things. No one is coming in here to drink a bottle of the house red at \$4.50.

"Instead, our customers are taking the opportunity to trade up and enjoy wines that they could not afford previously. We have also learnt an important lesson: that our customers come in here with a very fixed idea of what they are going to spend on wine.

"If it is \$20 they are still spending that much on Monday nights but they are drinking far more interesting wines."

It is a distinct advantage having your own wine shop next to the restaurant so that at least you can make a retailer's margin. But, taking it a step further, certain American restaurateurs have shown just how aggressive wine pricing can stimulate business.

Alan Stillman started the ball rolling at his Cité restaurant in January. Business at lunch and pre-theatre was good but dinner trade needed a boost so he adopted a policy of offering unlimited glasses of wines, such as Moët & Chandon non-vintage champagne, top California chardonnay and classed-claret, to anyone ordering a \$39.50 (\$25.50) price-free menu or three-course dinner.

It cost Stillman roughly between \$10 and \$13 per customer, many of whom in turn spent an extra \$8 on dessert and coffee that they would not normally have ordered. But it immediately filled the restaurant through the quietest months of the year and got everyone talking.

It also stimulated fellow restaurateur Philip Scotti at the Century Café in Times Square, into creating a pricing policy on his wines - for

bookings between 8pm and 11pm - that means charges are a mere \$1 per bottle over cost.

Russell Rusigno, at his Clinton Street restaurant in Los Angeles, and Gayle Dierksing, at the All Season's Café, Calistoga, have adopted similar pricing policies with the same beneficial result. Rusigno charges a fixed \$8 per bottle over wholesale, and Dierksing \$7.50 per bottle over retail. Both report increased volume and better takings.

Such attractive wine pricing will, I hope, become more common in the UK, particularly as we have a national network of enterprising off-licences to provide the wines. In the interim, anyone looking for

vinous excitement on a Monday night and with anything to spare from around £10 for a 1992 Shaw & Smith Reserve Chardonnay from Australia, to £175 for a 1982 Domaine de la Romanée-Conti La Tache, should head off to Harvey Nichols on a Monday night.

■ The Fifth Floor, Harvey Nichols, Knightsbridge, London SW1. Tel: 071-235 3250. Set three-course menu £21.50, excluding service and wine.

### Eating Out

## United in mediocrity

Giles MacDonogh visits Ulster

Northern Ireland is worth it. It has some spectacularly beautiful stretches of countryside and in some parts, at least, it has all the charm and warm-heartedness more usually associated with the Republic. Even after a vicious terrorist campaign aimed at the historic centres of Ulster's county towns, much of it is unspoiled. "The Troubles" are still very localised.

With a name like mine, I am naturally disposed to like Ireland; and Ulster is very much Ireland. On the other hand I am not blind to the drawbacks. One of these is food. When it comes to food, the dream of unity has already been accomplished: you may eat badly from Ballydoon in County Cork, to Ballycastle in County Antrim. Things are, however, getting better on both sides of the frontier.

Ulster has two famous restaurants. In the holiday town of Portrush there is Ramore and in Belfast there is Roscoff. I have not eaten at Ramore for more than five years, so I shall forbear from comment. Roscoff, Ulster's only Michelin-starred restaurant, I have visited more recently.

Its location came something of a surprise: it is right in the middle of Belfast where it is popular with British journalists on Ulster postings. It is keenly priced and busy; with its vaguely nautical decoration it looks a bit like a sea-side brasserie. The food is described as Franco-Californian, but it is rather more of the latter than the former.

Rather Californian was the "steamed beef with celery, Parmesan and truffle oil" which I enjoyed; less so were the "sauteed sweetbreads, with fresh pasta, bacon and roast garlic", which I did not. It was a fussy dish and the sweetbreads were overcooked and over-salted.

A chestnut and amaretto soufflé proved a little dull, but Paul Rankin, the chef, was away that day, and I am prepared to believe that the cooking would have been more precise had he been around.

In the province they will tell you that Rankin has done much to encourage small producers of quality raw materials. One supplier he has patronised is McCartney's in Moira, County Down. George and Gordon McCartney are prize-winning sausage makers with a list of 31 specialities running from lamb with mint to pork with banana.

I am happy to say I have not had the banana sausage, but I have eaten a delicious pork and leek sausage as well as an excellent beef and Guinness. The McCartneys refuse to countenance sales from anywhere other than their shop; which is fine if you live in Belfast, which is only half an hour away by car. Here in London it seems a pity. The McCartneys use pork from a couple of local farms and superb Ulster lamb. At the Portaferry

Hotel in Portaferry I had wonderfully flavoured lamb from the Mourne Mountains, while on the Antrim coast the lambs graze on salt meadows as fine as any in Normandy. Sadly no initiative is made to market this meat and in most Ulster restaurants there is an unfortunate tendency to smother the meat in old-fashioned fruit sauces.

A similar lack of initiative has blighted Ulster cheese. In the Londonderry Arms, in Carnlough, I was told that the local farmers' wives had abandoned cheese and butter-making in the interests of "liberation". I don't know if this is true, but if it is, liberation would seem to be a high price to pay.

Ulster used to have three farmhouse cheeses, but these are, as I was told, "all more or less defunct". There is a serviceable cheddar from Coleraine and a horrid Limeswold lookalike called Bally Blue. Bally Blue indeed.

Beer from Ulster's one independent brewer, Hilden, proved impossible to find, even in the Crown Liquor Saloon. The Crown is one of the best preserved Victorian pubs in Britain: a remarkable achievement for a building opposite the Europa Hotel in Belfast.

Belfast gin was almost as hard to find. Again this is a pity. It is a nice lemony drop, and rather better than a lot of the better-known brands.

On the other hand, there was no shortage of Bushmills' whiskey, County Antrim's most famous product.

Ulstermen are proud of their breakfast "fry", but this too is something to approach with caution. Either the sausage produced at the Culloden Hotel in Holywood, nor the Galgorm Manor, near Ballymena, proved authentic: the sausages were in synthetic casings (unlike McCartneys'), there was no black pudding and the sausages had been grilled! The grilling was justified on grounds of health - something which seems absurd. There is no such thing as a healthy fry.

On my return to London I dropped in on Richard Corrigan's new restaurant in Fulham Road. Here is an Irishman cooking superb meals by sagely adapting the earl's favour of his mother country: wonderful ravioli of sucking pig; delicious faggots culled from every imaginable part of the pig's head; crubeens (pig's trotters) and sensational black pudding. Where are the Corrigans of Ulster? Or is it true that no man is a prophet in his own land?

■ Information:  
Roscoff (tel: 0232-331532);  
McCartney's (0946-611422);  
Londonderry Arms (0574-855255);  
Portaferry Hotel (02477-28231);  
Crown Liquor Saloon (0232-249476);  
Culloden Hotel (0231-52232);  
Coleraine (0286-580889);  
and Corrigan's restaurant, Fulham Road, London (071-351 7823).

## Cookery/Philippa Davenport

### Pep for puddings

terness. In Amalfi, the fruit is often peeled, sliced, dressed and served as a salad just as oranges are sometimes served en salade with black olives in Morocco.

It also makes fine lemonade, lemon curd, lemon soufflé, and other sweet dishes - all with virtually no need for added sugar.

Amalfi lemons are remarkably handsome, too, and growers prefer to export them with leaves still gracing their stalks. But Safeway is selling them stripped of the leaves and wrapped in cling film, which makes them seem rather charmless to buyers unaware of their special qualities.

#### SUMMER SOUFFLÉ

Based on a Constance Spry recipe, this takes very few min-

utes to prepare and will serve four in style. Success lies in good organisation.

The oven must be pre-heated thoroughly to 425°F/220°C (gas mark 7) while the freezer should contain plenty of crushed ice and 1pt of the creamiest vanilla ice cream. Individual soufflé dishes and 1lb or so of ripe raspberries should be chilled in the refrigerator; the soufflé ingredients should be measured out on the work-top and left ready.

Beat two egg yolks with the finely-grated zest of a lemon and a generous tablespoon of lemon juice. Stir 1/2pt double cream until smooth and blend it into the lime mixture.

Line the pastry case with grease-proof paper and beans, and blind-bake it on a hot baking sheet for 15 minutes at 400°F/200°C (gas mark 6). Remove the beans and paper, brush the pastry with the reserved beaten egg, and bake for 5-8 minutes more until the pastry is set firmly.

Ladle the filling into the pastry case. Reduce oven heat to 300°F/150°C (gas mark 3) and bake for 70 minutes.

Let the tart cool completely in the tin: this will take about four hours. Then, cut the pastry level with the filling and un-mould the tart. Serve it on the day of baking, covering the lime custard with strawberries, whole or sliced, just before serving.

#### LIME TART WITH STRAWBERRIES

Here is a delicious and pretty dessert for six (or eight if appetites are modest). Wild strawberries are sold by smart greengrocers and can sometimes be found in supermarkets. Alternatively use 1lb/1lb ordinary strawberries, sliced. How much juice a lime will yield varies greatly: play safe and buy four.

Make some paté sucrée with 6oz plain, white household flour, 3oz butter, 3 egg yolks

and 2/3oz sugar. Wrap it and chill for at least 30 minutes before using it to line a 20cm (8in) cake tin with spring-clip sides. Chill again for an hour or longer.

Meanwhile, prepare and chill the filling. First, beat 5 eggs. Reserve a spoonful or two to seal and glaze the pastry. Add 6oz sugar to the rest and beat until soft and foamy. Then beat in the finely-grated zest of 3 lemons and just over 4 fl oz of lime juice. Stir 1/2pt double cream until smooth and blend it into the lime mixture.

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#### WILTSHIRE JUNKET WITH RASPBERRY PUREE

Junket is one of those old-fashioned foods you tend to forget about then re-discover with glee, for rich versions are every bit as good as *cœur à la crème* - and less fiddle to make. When cream is used, the texture of junket is delicate and rich, slipping down the throat silkily. If the mixture is

meanly milky, the results may be perilously thin and bursting with whey.

Look out for Burgess rennet essence in good grocers (my local Waitrose stocks it). Today's brew seems to produce a firmer set than it used to.

For four people, mix 1/2pt single cream with 1/2pt creamy (gold top) milk. Warm gently to blood temperature (98°F) with 2 teaspoons vanilla or castor sugar. Away from the heat, quickly add 1 teaspoon rennet. Stir to mix well and divide between four small glasses or bowls. Leave undisturbed at room temperature for about three hours.

Serve topped with raspberries for garnish, and a jug of raspberry puree (1/2lb of raspberries sieved and sweetened with 1oz icing sugar, or to taste). Blackberries, loganberries or mulberries can replace the raspberries.

#### LEMON CURD

##### ICE CREAM

I am quoting this from *Leith's Cookery Bible* (Ebury, £20). It is good served with crumbled amaretto biscuits and a handful of fresh berries (strawberries, raspberries or blackberries) with a matching berry puree to sauce it. I have also used it half and half with rich vanilla ice cream when making summer soufflé surprise.

To serve six people, put into a small saucepan 4 egg yolks; the finely-grated zest and juice of 2 lemons; 4ozs castor sugar; and 4ozs unsalted butter at room temperature and cut into dice. Place over gentle heat and stir until the butter has melted and the curd coats the back of the spoon.

Allow the curd to cool, then stir 1pt natural yoghurt into it. Cover closely and freeze.

Put the ice cream in the refrigerator about an hour before serving.

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## PROPERTY / GARDENING

Cadogan's Place

## Results reflect London's strength

Results from Savills and John D. Wood, for the year ended April 30, reflect the strength of the London property market. Savills' pre-tax profits increased 125 per cent, from £1.44m to £3.24m, with the agricultural and residential side contributing £1.19m (£458,000) thanks to former London and farmland markets. Foreigners made up more than 40 per cent of the buyers in London.

Wood reports pre-tax profits of £681,000, against a £291,000 loss the year before. London turnover was more than 50 per cent higher, and near the peak of 1987-88, while country and agricultural turnover rose 24 per cent. The price inflation

rate in central London has been around 20 per cent in the past 18 months.

A report from Citigroup reveals an average central London price rise of 10.3 per cent in the year to June 1994, with roughly a fifth of that coming in the second quarter of this year. Houses increased more than flats.

Fulham and Pimlico have risen more - proportionately speaking -

than Knightsbridge and Kensington; indeed, the short supply of houses in Fulham led to an average annual increase of 16.3 per cent, which is almost twice as much as for flats (8.2).

Handsome price, handsome flat... agent de Groot Collis (071-225 8090) is seeking offers of more than £2m for the 28-year lease of a ground-floor Knightsbridge apartment in Cadogan Square,

SW1. Besides use of the garden in the square, it opens on to a shared garden at the back of the terrace. But its treat is spectacular joinery: French oak floors and deep mahogany in one bathroom. The other has burr maple, even on the lavatory seat and the ceiling. A huge mirror emphasises the beautiful grain of the wood - and the sense of being in your own early-18th century cabinet.

The major part of a Gloucestershire village manor house with three acres of grounds and gardens is being offered for sale, freehold, by Butler Sherborn of Burford, Oxfordshire. (Tel: 0993-822325). It is looking for offers of £395,000 for the seven-bedroom property on the edge of Kenot, a Cotswold stone village, 14 miles from Swindon and 22 miles from Oxford. The house, listed grade II, is believed to date

to the early 17th century.

Lovers of Victorian architecture are offered a rare opportunity at Ramsgate, Kent. The Grange, built by architect and writer A.W. Pugin early in the 1840s, is for sale, coinciding with an exhibition about him at the Victoria and Albert Museum in London. This house was a revolt against the classical/Georgian tradition in domestic architecture, and affected design for

decades. In brick and stone, it has three floors and an imposing tower with views over Ramsgate harbour to the Channel. The stained glass in the chapel includes saints Augustine and Gregory, plus Pugin and his wife and family. The price is £300,000 from Knight Frank & Rutley in Tunbridge Wells (0892-515 035).

At South Holmwood near Dorking, Surrey, a house designed by Sir Edwin Lutyens in the Dutch style is on offer for £400,000 from John D. Wood (071-493 4106). Called The Dutch House, it has an unusual Y-plan.

G.C.

## For those who fancy a village of their own

Not all country estates contain such a bonus. But there are plenty of other reasons for spending big on rural living, says Gerald Cadogan



At £3.6m: Chatham Castle, which comes with 236 acres



At £2.75m-plus: the Haycroft estate in the Cotswolds



At £250,000 under the hammer? Woodbrook House in Co. Wexford

It is rare that a complete estate - including the village - comes up for sale. The last one was Glympton Park in the Cotswolds, sold to controversial Australian tycoon Alan Bond in 1988 for a reputed £11m-£13m. (It was sold on 15 months later.) Now, another Cotswold estate is for sale with 1,748 acres and an entire, unspoilt village of 25 houses and cottages.

Between £2m-£10m will buy Salperton Park, a late-Georgian mansion set amid parkland in one of the most beautiful parts of England. Village apart, the deal includes a farm, 189 acres of woods, and a partridge and pheasant shoot. The vendor is Victor Watkins, a building entrepreneur, who bought it in 1981 and has improved house and land greatly. The agent is Savills.

True estates are large parcels of land, usually over 500 acres (unlike the houses with a few acres that agents label "estates" to make them sound more than they are). Buyers are attracted for various reasons: among them the house, the shooting or the farming.

Most buyers have not owned an estate before, and where to pitch a bid is an art. Buying agent William Gething, of Property Vision, first works out the price of its parts - which may be the same as the lots into which large properties are often divided - and assesses how many others could be interested. Then he looks at the drawbacks. Is the house too near a road? Does the land have gaps where bits were sold off in the past?

Then comes the tricky question: is the whole worth more than the sum of the parts? For Salperton, which is so clearly a unit, the answer is yes. The same would apply to another Cotswold estate, Haycroft, near Northleach, for which Savills is seeking offers over £2.75m.

This has fewer acres (636) than Salperton but house and land are in a valley, which helps to integrate the other buildings - a mill house, three cottages, barns and a stableyard. Then, too, there is pheasant and duck shooting.

For Savills, 1994 is proving a



At £2m-£10m: Salperton Park, complete with 1,748 acres and an entire village of 25 houses and cottages

bumper year for marketing estates. Also on the firm's books (for £3.5m) is Chatham Castle and its 298 acres in Kent. There is a 17th century brick mansion (with additions) and a garden said to have been shaped by the noted designer John Tradescant.

Chatham is near the Channel tunnel station at Ashford and there have been inquiries from abroad. Possible uses are as a hotel or some other type of leisure development - the castle has been open to the public - or a company headquarters.

Other residential estates for sale include Westhall (430 acres) in Aberdeenshire, a tower house with Victorian extension plus a sauna, heated swimming pool and tennis court, all indoors to defeat the

Scottish weather (from Smiths Gore: offers over £1m); and Zeals (375 acres) in Wiltshire, listed Grade I (Kesterton, £2.25m).

Owners usually prefer to sell an estate as a whole in order to maintain what they have cherished, but this does not always work out. At Tythorpe near Oxford (Savills), the farmland is mostly under offer but the magnificent big house awaits a buyer. At Stratton Audley near Bicester (Strutt & Parker), and Brede Place in East Sussex (KFR), the house has gone and the land waits.

Christopher Wilson, of buying agent Wilson & Wilson, stresses that farming is a profitable business again. Although uncertainties lie ahead - such as how the Euro-

pean Union will review the money-gulping Common Agricultural Policy - he says that "net pre-tax yields of 9 to 10 per cent are feasible if there are enough economies of scale". This usually means buying more land while using the same number of men and machines. His firm will prepare a business plan, including a three-year cash-flow analysis, for a new owner.

Financial institutions selling farming estates, such as Ariel Farms (part of the BBC pension trust), will do very well as land prices have risen steeply over the past 18 months.

In Cambridgeshire, Ariel (through KFR) is offering Woodwalton (1,693 acres) at £2.95m (to include two farm houses, three cottages, farm

buildings and a shoot). In Essex, Ariel has Little Braxted Hall (757 acres), with a superb partridge shoot - the vendors advise retaining the gamekeeper - and an irrigation licence for 30m gallons to ensure the best potatoes (also KFR, offers over £1.75m).

The best sporting estate on the market is Gunnerside (26,485 acres, mostly heather) in West Yorkshire, with a rich variety of beats and some of the most exciting grouse shooting in Britain. Savills seeks substantial offers. The same agent is asking £1.35m for Scargill (4,222 acres) with a smaller grouse moor in Teesdale, Co. Durham, where Murray is joint agent.

Where, though, do the pounds go furthest? Probably

Ireland. The splendid Woodbrook House in Co. Wexford, with a 38ft-long drawing room, a cantilevered spiral staircase and a park, is on sale for the first time since the house was built in 1780. Hamilton Osborne King will auction it in Dublin on August 9, suggesting £250,000 for house and 238 acres.

Information: Hamilton Osborne King, Dublin (010-353-1-676 0251); Knight Frank & Rutley, London (071-629 8171); T. Murray, Baswell (091-526 1191); Property Vision, London (071-602 8728); Savills, London (071-499 8644); Smiths Gore, Forster (0307-463 080); Strutt & Parker, London (071-629 7222); Wilson & Wilson, London (071-738 9833); Withers, London (071-936 1000).

Gardening/Robin Lane Fox

## Why not host a hosta in a civilised setting?



Hosta fortunei albopicta: slugs love it

Anders London

Whenever something improves, other people complain. Why ever do we listen? For nearly five years, they turned me off a gardener's godsend; they let me shelter behind the excuse that my new garden was too dry.

In the 1970s, I grew hostas like an adventurous madman. They revelled in my beds of pure pig-manure. Then, people started complaining that they were over-bred and over-priced. Their great suppliers in America seemed to have lost sight of reality: could you really face up to owning a hosta called Zounds?

Even if you cannot identify a hosta, you have probably got one. They are those richly-leaved plants which reappear in spring in shades of green, blue and green-yellow and which are about to flower on long stems with mauve and white tubular buds.

Since the 1960s, the fanciers have moved in and the rest of us have found that these boldly-leaved plants are almost indestructible. Today, there are hosta-groups, hosta-freaks and I suspect that people swap them like horticultural Tupperware.

But slugs remain their greatest admirers. If we can kill off the slugs, we may one day have a hosta war. The balance of trade is tantalising. In the wild, the best hostas grow in Japan. Hosta fluctuans is grown beside many Japanese doorways and its leaves are used in a clever recipe for rice.

There were Japanese breeders of hostas in the 1950s, but the Americans saw their potential, took parents home and made them a plant for the family yard. Their market is enormous, but the Japanese are returning to the children of their heritage. They are continuing to breed new forms and are planning to bring wild varieties into London.

In Britain, we use them fully, encouraged by all the experts and well served by our leading nurseries. Hostas belong in the most civilised and fashionable settings. The big grey-blue leaved sieboldiana Elegans is the perfect foil for the taller older-fashioned roses where it was often used by that great garden-planter, the late Lanning Roper.

Hostas now turn up in pots on their

own, a favourite feature of no less a designer than David Hicks. There are now so many that you can host a hosta in any good garden: seven years in a row, Sandra Bond, of Goldbrook Plants, Hoxne, Eye, Suffolk, has won gold medals for her stunning exhibits at Chelsea. She has the biggest list at Chelsea. She has the biggest list at Chelsea. She has the biggest list at Chelsea.

The ins and outs concern pots, stamina, scent and naming. First, the matter of pots. Hostas should not be lost in the potted jungle which I otherwise champion: they look and grow best in a pot to themselves. The problem is that most of them develop very

deep roots over time: they have split a clay pot with me and will do the same in terracotta.

There are golden rules, endorsed by Sandra Bond. It is best to pot a hosta in stages, from a small to a greater size over the years: do not start it in a large urn when it is young. Always pot it in a plastic pot which is expendable: put this plastic holder inside a clay or terracotta pot, both to ease the watering and to guard against the power of the roots. Against slugs, use greasing. The hosta's greatest enemy is not a gardener on holiday: it is our slimy friend. An experienced reader tells me that she smears Vaseline on her pots' collars and that it keeps off the invader. Slugs cannot ooze their

way across grease.

Next, scent and stamina. In pots, the best forms are the fortunei group because they have the most shallow roots. They are also good in gardens. I have gone off the highly popular Frances Williams, which was the star of the early 1980s, because its stale yellow edging on the blue leaf turns down in dry weather and is slow to develop. My new stars are Sun and Substance, the blue-leaved Blue Angel and Halcyon and the scented Sugar and Cream and Summer Fragrance.

Of all these forms, Sun and Substance is the most remarkable. It makes a clump of green-gold leaves for which one plant suffices in isolation. It grows in sun. It is starting to

flower today in its second year and, after a preliminary defence with slug bait in April, it is left alone by slugs. Its leaves are too tough, like cheap steak. At £2 a plant, it is well worth it, especially as it can soon be divided.

Scented hostas are also on the way up. For years, I battled with the old Edwardian favourite, plantaginea, which Gertrude Jekyll used so prettily in her green shaded courtyard which linked the house and garden. Its white flowers are hugely pretty and do appear with me, but I realise that they refuse to show in the Midlands and the North. The new Sugar and Cream is variegated and far stronger, even in colder areas. We can expect great things from the new Fragrant Bouquet, which costs £19 and is a top Bond recommendation: one for a bond-dealer's birthday.

Lastly, the names are a serious problem. At Hampton Court flower show, even I could see that some of the exhibitors were giving hopeful names to hostas which the experts would not validate. It is essential to buy from specialists, as many of their plants will be divisions from a supervised stock-parent.

The trouble is that hostas are re-emerging and are stunning value for small urban gardens. Price is slightly less important where you can only house a few good features and, although a hosta disappears in winter, it has the quality of a natural sculpture in a slug-free area. Wherever there is money, there is much.

It takes several years for a young hosta to develop its full quality and you should never judge one on its first three seasons. Inevitably, general traders may fail to realise that their providing young plant is not the true speciality which experts can identify.

The last five years on the sidelines have taught me how much has changed among the scatter innovations with names such as See Saw. Already, breeders have blue-leaved forms with the elusive white edge. They will soon be within our reach and, meanwhile, everyone is after a better texture. The state of the art is to breed a hosta too solid for slugs. Let us hope that it is not too leathery for gardeners who share a slug's view of beauty.

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## BOOKS

## Stark tale of decade's evil drug

Keith Hellawell discusses the horrific challenges posed to society by crack cocaine

Newspaper headlines and American films form most people's perceptions of crack cocaine. Jon Silverman's book reveals what the drug looks like, its origins, how it is used, its cost and its effect on the user. He also describes those involved directly with it: the law enforcers, the increasingly ruthless dealers and the desperate addicts.

His insights dispel any lingering doubts about the evil of crack cocaine and the threat it poses to our society.

The focus is mainly on Britain and Silverman levels some criticism at our failure to develop a comprehensive strategy to deal with it. Crack is a relatively new drug in Britain, so to some extent the criticism is justified. But it is still difficult to find any government or law enforcement agency which would claim to have the answers.

Earlier this month, I attended a conference in New York with representatives from many countries; we

shared views, we compared problems, we examined our policies and solutions. But we are all in the same boat - there is still no comprehensive answer to the crack problem.

The text outlines that problem and describes specific operations by the Customs and the police. Some of these accounts are personalised a little too much, making it appear as if it was a single officer with persistence or flair who was the sole driving force. While this is partly true, an individual needs the support of a team and the strength of an organisation behind him or her to operate effectively.

Silverman does, however, capture well the feelings and emotions of

officers involved in operations - their fears and frustrations, the highs and lows, their personal sacrifice in the constant pursuit of justice.

As to the traffickers and peddlers of this obnoxious cocktail, crack: towards the end of his book Silverman mentions the white criminals who see drug trafficking as less dangerous and more lucrative than robbing banks and have their own way of importation (probably gleaned from American movies).

He pays most attention, however, to the formation, growth and development of the Jamaican criminals known as "Yardies". The early political support for these vicious criminals, their spread through the

US into Britain, the trail of senseless violence and the apparent lack of remorse is terrifying.

The accounts of summary executions, gang warfare not seen since the days of Prohibition, torture -

**CRACK OF DOOM**  
by Jon Silverman  
Headline £16.99, 256 pages

one woman had a hot iron pressed against her face then was doused with boiling water to make her talk - is horrific.

The haphazard nature of their groupings, their false identities, the peripatetic nature of their lives - moving on false passports, between

here, the US and other countries - make these criminals difficult to target. The job of the police is made even harder by the fear of violence among potential informants, the near impossibility of operating undercover in these areas and the fear of being dubbed racist for mounting large operations in black areas.

The advent of personal radios and an army of children willing to act as lookouts and warning sirens exacerbates the problems, which are ably covered by Silverman.

For users of the drug, the picture is perhaps bleakest of all. Their lives are taken over completely by little rocks of crack as they fall, almost irreversibly, into the fires of

utter dependence and show a willingness to maim, kill or even sell their children to maintain their habit.

The human depravity which leads to the sacking of Rome pales into insignificance alongside the lives of some crack users. Whether we feel that they are victims or villains, we cannot or must not ignore them - and as yet we have no proven cure for their addiction.

In this very readable snapshot of a 20th-century drug, Silverman offers the reader an honest picture of the effects of such a vicious drug on our society but does not, and probably cannot, offer solutions.

He hopes that crack will run a cycle - he postulates 10 years and

says we have five to go. I will not hold my breath.

The reader can, however, be assured that all law enforcement agencies throughout the world now know a great deal more about crack and its wake of violence and criminality.

Improved intelligence networks, spearheaded in Europe by Europol; better liaison and sharing of information supported by the recently formed National Criminal Intelligence Service, and multi-agency targeting operations of the criminals involved are all part of our 1990s armoury and in this we do achieve much success.

But if we are to eradicate this drug from our society we must help people, particularly our young, to recognise crack for the plague that it is and convince them to avoid it. They need help and they need it now.

Keith Hellawell QPM, is chief constable of West Yorkshire Police.

## Housewives and comrades

John Lloyd on the women behind the Kremlin walls

The central interest of this book is the witness it bears to people - men and women - living lives under conditions we cannot understand or judge without a large effort of imaginative reconstruction.

It is only moderately well written (though it appears to be well translated) and it is sloppy like much of Russian writing on current affairs - great unevenness as the writer's interest waxes and wanes, analytical short windedness, sentimentality breaking through and minimal sourcing.

But the fascination of the subject - the testimonies contained within it to the lives of women who were at once monstrous and oppressed, most favoured and most in peril of their lives, expected to be at once both Martha and Mary, housewife and comrade - compensates for these defects.

Apart from the last chapters, where recent Kremlin wives are presented as brief cardboard cutouts, the character sketches are quite readable.

The portraits of the first wives are the best and most poignant. Nadezhda Krupskaya, who married Lenin on his exile to Siberia in 1898 and who outlived him by two decades, is drawn as a woman whose enforced modesty of expectation for herself - genteel-poor and plain - led her to

Marxism, then to Lenin.

Inhibited and puritan, she and her mother were nevertheless friendly to Lenin's probable mistress, Inessa Armand - her temperamental opposite but comrade all the same. Lenin's amanuensis in the years of exile, she adapted with avidity to the role of purger of bourgeois filth from the school syllabus after the revolution - banning a vast codex of Russian and foreign authors, including Dostoyevsky, Blok,

**KREMLIN WIVES**  
by Larissa Vasilieva  
Weidenfeld & Nicolson £20.00, 241 pages

Akhmatova and Pasternak.

Vasilieva comments, rightly, that "had (she) wielded supreme power, she would have inaugurated a cultural inquisition far more effectively than Stalin because she was better educated than he was. It was not just a matter of who ultimately led the party machine, but of the machine's ultimate cruelty."

At least Krupskaya was in charge of her own life to some extent and - though famously sworn at by Stalin during her husband's final illness - was untouchable after his death.

Stalin's own (second) wife, Nadya Alliluyeva, was half his age, gently reared in Georgia,

yet apparently strong willed. Her suicide remains a mystery: Trotsky, an unreliable witness, believed it was a murderously prompted suicide, with Nadya killing herself after being "showered with obscenities" by Stalin at a Kremlin party.

Vasilieva, with no proof, appears to plump for murder, saying that she "had to die. Her presence would have prevented Stalin from fulfilling his historic mission. He would tolerate no obstacles on his path, especially female."

Though Stalin, Vasilieva believes, had affairs, he encouraged a reassertion of outwardly bourgeois morality in sexual behaviour which snuffed out the bohemianism of the early Bolsheviks.

Armand herself, Alexandra Kollontai and the beautiful and flamboyant Larissa Reisner were among the leading women proponents of a sexual liberation, that included the acceptance of a woman's right to initiate sexual advances - a huge leap for the generally middle class or even noble ladies who were the leading revolutionaries.

None of those who lived into the 1930s were heroines, though many are said to have been kind. The Iron Imperatives of the party and the terror it inspired entered them as it did their husbands, displac-



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'Both Martha and Mary... most favoured and most in peril' - idealised Soviet womanhood depicted in a propaganda poster

ing what our age sees as the priority of personal satisfaction and individual affections with a rigid assumption that the party always comes first.

Kollontai did not lift a finger to save a former lover from Stalin, even when she was ambassador to Sweden; later, Marshall Budyonny, Commissar Molotov and even Soviet

President Kalinin all submitted to their wives being arrested, imprisoned, tortured, probably raped and sent to camps while the men - uncompromising - laboured on in their high posts.

When released, these wives returned to their husbands and in the case of Paulina Zhemchuzina, wife of Molotov and a victim of the anti-semitic

purges of Stalin's last years, to the party and to devotion to Stalin. When he saw these men, Stalin would tease them about missing their wives. Khrushchev, the de-Staliniser, makes the break for the wives too. Nina Petrovna, his wife, "reassured terrified Americans as they saw that this vast empire was now ruled

by a funny fat man and his provincial wife, clutching her handbag to her ample stomach". Nina Petrovna had had a tough life in Ukraine before she ascended the increasingly comfortable ladder of power.

Vasilieva says that her priorities were in the end personal: "She still loved the party and fondly recalled past purges!" -

yet she would not sacrifice her life's companion to its gaping maw."

While it is too diffuse and fragmentary to be a good book, it does lift the curtain on lives where idealism, self-preservation, fanaticism, pity, ruthlessness and stoicism mixed into a state of mind which was to dominate and cow a country.

## Façade of fragility

Nigel Andrews on the enigmatic Audrey Hepburn

Audrey Hepburn was one of the most entrancing screen beauties of the post-war generation. Yet she never appeared a career film star.

She hid the word "talent", seemingly, inside the word "dilettante", which left anagrammatically another key Hepburn word, "diet".

She was an airy, pencil-thin beauty who had suffered from bouts of bulimia and anorexia; and in her later years as a United Nations worker she looked scarcely less malnourished than the African children with whom she was photographed.

Alexander Walker's biography does this semi-invisible spirit full justice. He subtitles the book "Her Real Story", which means that the family skeletons are wheeled out early from the walk-in cupboard, brushing through the daughter's GivENCHY dresses on the way.

Father was a Nazi propagandist who spent the second world war in a British jail. Mother was a Mosley supporter who wrote for Oswald's fascist rag Blackshirt. There is a photograph of mum on the steps of the Nazi Party HQ in Munich and there are "well-attested reports" that both parents attended Nazi rallies.

This is piquant stuff for anyone who had suspected a different upbringing: that Audrey - to judge from the pedigree manner - had been brought up in a palace made of porcelain, where the tinkle of tea sets vied with the distant cry of peacocks.

Yet a problem childhood - father, as well as being a political rotter, walked out on the family when Audrey was

young - may account for the star-making oddities in her personality.

There was that low, lovely, guileless delivery, full of mysteriously-soured nervous energy. And there was the feeling, in films as varied as *War and Peace*, *The Nun's Story* and *Breakfast at Tiffany's*, that the lithe and soaring charm just might be broken, given the right nemesis, on the wheel of brute ordinariness.

Walker keeps his book moving even when banality does threaten to break into Audrey's life: which is not

**AUDREY: HER REAL STORY**  
Alexander Walker  
Weidenfeld & Nicolson £18.99, 319 pages

often. Chapter headings have the thump of a Saturday matinee for adults. "The Girl With Death In Her Shoes" is the title for the section about Audrey's wartime exploits carrying anti-Nazi leaflets into occupied Europe. And JFK's death has a surreal tragic éclat - the actress broke down in her dressing-room - amid the fluffy frivolity of shooting on *My Fair Lady*.

Like any good heroine in the mystery drama of *Life*, Audrey also had a doppelgänger.

Her career and that of Leslie Caron, Walker notes, were bizarre reflections of each other. Each began as a ballet student; each went on to specialise in adorable gamine roles; each starred opposite Fred Astaire in consecutive 1950s musicals - *Daddy Long Legs* (Leslie) and *Funny Face* (Audrey); each had a major success, on stage or screen, as Gigi and later as Ondine.

But Audrey was more than just a pretty - or funny - face. When Billy Wilder picked her for two early roles in *Sabrina* and *Love In The Afternoon*, it was because he saw the native intelligence: "She looks as if she could spell 'schizophrenia'."

nia." And Richard Avedon pounced on her, during his period as a Hollywood shutterbug, and immortalised those strange wide eastern features, like a pixie graduated from a Peking sixth form.

Audrey finally did run into the buffer of brute ordinariness. She met and married Mel Ferrer. But Walker argues that she probably needed his prosaic, domineering guidance.

For years he acted as her agent and minder: the only roles he seemed up to in his own dull but persevering career. In *War And Peace* Ferrer's Prince Andrei is the price we pay for Audrey's Natasha. And who can forget, once read, Michael Powell's comparison of Ferrer's stage performance in *Ondine* with that of France's Louis Jouvet. "When Jouvet paused, the audience paused. When Mel paused, the whole play stopped dead."

In later years, thanks to spending more time with Mel and the family, Audrey's screen acting became occasional. But she delivered a brace of late delights in *Two For The Road* and *Robin And Marian*. And for a woman about to tread the famine lands of developing countries, she showed a bizarre persistence, right to the last, in claiming her own glamour rights.

Those GivENCHY dresses were a point of principle. She even asked for one to play the dowdy spinster in *Summer And Smoke* (Result: the role went to Geraldine Page). But then Hepburn knew her worth. She wanted the right dress in the same way that she wanted the right truck in her charity safari: because they helped do the job.

The job in Hollywood was to be a ministering angel to glamour-starved audiences in the recovery years after the war. The job in Africa was to be a ministering angel to more literally starved people in the recovery years that never end. And perhaps the actress' United Nations were a last, late bid to make up for those guilt-bequeathing parents.

When John Wain died in May, aged 69, he had been working on his trilogy of novels set in Oxford for the past decade.

Parts one and two, *Where The Rivers Meet* and *Comedies*, appeared in 1988 and 1992. Posthumous publication of *Postcards* completes the work: it is built around the lives of two brothers, the sons of an Oxford publican. One is a skilled worker at the Morris factory at Cowley, and the other a history don at an imaginary college called Episcopus.

*Where Rivers Meet* is the over-all title. Not only does Oxford stand at the confluence of the Thames and the Cherwell, it also has two distinct faces, as a centre of industry and of learning, both of which are contained in the work.

There is rather more of gown than of town in this final volume. Events are seen through the mind of the academic brother Peter Leonard. By 1948, when it starts, he has reached the age of 38, and he remains in Oxford teaching history until the crunch-year of 1958 with news of the Suez adventure, and the march of Soviet troops into Hungary, reaching him as the story ends.

It was a conscious gamble by the novelist to stake everything on Oxford. It has been done to death in detective fiction and often used by serious novelists such as Compton Mackenzie, Waugh and Murdoch who have looked back to their time there as an essential element in a larger work - *Sinister Street*, *Brideshead Revisited*, *The Book and The Brotherhood*. But to find it treated by a novelist as the summation of a lifetime's experience is unique.

Wain leaves one in no doubt as to his deep affection for the city in spite of the spoils of a novelist's experience about everything from the mating

Fiction/Anthony Curtis

## Gown v town

**HUNGRY GENERATIONS**

by John Wain  
Hutchinson £15.99, 378 pages

**CATALYSTS**

by Stanley Middleton  
Hutchinson £15.99, 266 pages

habits of the sparrows on the college lawn, to the construction of the P3 MG racing-car and the sex theories of Wilhelm Reich.

Their main function seems to be to distract the reader from the hard core of pain that might otherwise make the book unbearable to read.

Pessimism about human possibility is the dominant mood. There is the long agony of Leonard's divorce and humiliating return to live like a single man in college; the pain of trying to reconcile the bitter after-taste

of his first marriage with the domestic bliss of his second (a closing note); the pain of the death of his son in a motor-racing accident and the series of disasters that befall other members of the senior common room.

The hero is Wain's alter ego, the Oxford don that Wain never became. Teaching and research was a way of life he firmly rejected when he resigned his lectureship at Reading in 1955 after the success of *Harry On Down*. Wain could then have become a leading journalist, critic in London. But he did not want to be that either. He was made a fellow of the Royal Society of Literature; after a year he resigned that too.

Instead he went to live near Oxford. It was a quiet, industrious existence, but it enabled him to do his own thing, which was to

write novels and poetry.

With *Catalysts* Stanley Middleton shows that he belongs to that small number of novelists able to integrate convincing accounts of musical performance into the texture of a novel of contemporary life. They include Proust, E.M. Forster, Aldous Huxley and J.B. Priestley.

Here we are with the elderly music teacher at a school in the Midlands.

His son is a collist of renown whose mistress is an opera star. There are several fine descriptions of them in action in a novel that shows with great subtlety the way professional life acts as a catalyst upon private life.

It does this just as much in the unglamorous professions of the other main characters - accountancy and English teaching.

This quietest weave in and out of each other's lives in a novel that is not so much written as delicately scored.

Middleton, joint Booker Prize-winner, is a master-technician of the form. His latest piece of work will give much pleasure to its connoisseurs.

encountered the Duc de Guiche, eldest son of Duc de Gramont, at the Church of Saint-Louis des Invalides. The right people were still marrying the right people." And the bride wore Dior.

So that was all right. In between many pages of political and diplomatic history we have been given the cultural and literary story.

We are assured of the "arrogant irresponsibility" of the French *des clercs*, the "dictatorship of the progressive intelligentsia", the eventual failure of radical ideas to overcome the French bourgeoisie - big themes - but the reader is not always convinced.

The problem, I suggest, is that the Beevors have bitten off more than they can chew. They have written an interesting but awkward combination of a politico-diplomatic history of France in the immediate aftermath of war and the cultural story of those same years. But in the event, they have fallen between two stools.

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## ARTS

# Witness to a cool Shavian triumph

David Murray on *Saint Joan*, George Bernard Shaw's powerful drama

With *Saint Joan* George Bernard Shaw wrote a play that requires a charismatic heroine, but plugs her in only at certain points. It is not, strictly speaking, a star vehicle, and if played like one it usually founders: Shaw had other fish to fry.

At the Strand Theatre, the director Gale Edwards (Australian, female) has got the balance exactly right. It stirs mind and heart alike, and if you have intelligent teenage children you should take them along to be stirred as well. Few modern "classics" command our thoughtful sympathies like *Saint Joan*, and still fewer productions do them such faithful justice.

The play is not really about "Jeanne la Pucelle", but about the almost-accidental role she played in a larger, much tougher world of politics and religion, of which she understood nothing.

In fact *Saint Joan* represents a disillusioned, retrospective, 1920s view of History as *Realpolitik*. The heroine is there to fascinate us, but the heart of the drama – and it is drama, not just Shavian sparring – lies in the different ways she is perceived and used by the political masters, both the French (Burgundian) and the English.

All Joan has to do is to be, while the real action stretches out around and beyond her. In the small person of Imogen Stubbs, she is a marvel of bright-eyed energy, from her first bounding entrance. Distinctly elfin, in fact, with balletic touches, and much more *gamine* than *gamin*; one remembers Joan Plowright's homely, non-nonsense activist (a long way back) with some nostalgia.

But Miss Stubbs wields a big, tremulous voice with the best of them, and regularly catches us between the ribs. Perhaps she could measure a greater distance between eager optimism at the start, and weary desolation at the end.

Those Audrey Hepburn eyes do not change much, and there was an awkward moment when she collapsed to

the floor in despair, too obviously confident of succour by strong arms – which she duly got. As a butterfly broken on a wheel, nevertheless, she is a radiant creature.

The production has stark sets by Peter J. Davison, basically vertical slices that just once open out to give us a fine side-chapel view of the Dauphin's coronation in Reims Cathedral. (Reims, by the way, is sometimes Reims and sometimes "Reems", even in the mouths of different French persons.) That is all to the good: picturesque ramparts are not what the play needs. What it chiefly needs is a solid team of politicians, both temporal and spiritual, and these Miss Edwards has supplied in full measure.

Faced with pages of Shavian debate,

*'In the small person of Imogen Stubbs, she is a marvel of bright-eyed energy'*

many a director equips his or her actors with a rich variety of ties to sugar the pill. Not Miss Edwards; instead, she makes the debates supply the characters – the variously foxy or temporising Frenchmen, the blunt or choleric English.

We listen hard, I particularly admired Bruce Purchase's virtuosity with the Archbishop's speeches, which he rattles off quite lucidly at high speed, thus saving vital minutes. There is a good Dunois from Philip Quast, and a properly sullen Cauchon from Paul Webster.

Highest praise, though, for Peter Jeffrey's Inquisitor and Ken Bones' Earl of Warwick, both of them revealing in pawky subtleties. Jeffrey is a gentle model of temperate, deadly reasonableness; Bones – with a startling likeness to Norman Tebbit – plays Warwick with an air of cheerful ruthlessness, letting his weary, cynical intelligence peep through as the situation develops. There is just a trace of



Imogen Stubbs as the heroine in *'Saint Joan'*: 'It is a drama, not just Shavian sparring'

pain, and distaste, when the execution has to be got through.

Jasper Britton's artful Dauphin supplies more than comic relief. There is a twitch or two too many, but his petulance is genuine and sour.

As young Brother Martin, appalled at seeing the trap close, Nicholas Rowe conveys strength as well as a tender heart. In the epilogue, Gordon

Langford Rowe is splendidly unbuttoned as the plain English Soldier. Among others too numerous to mention, there is no weak link.

As Warwick's testy chaplain, de Stogumber, David Daker for once makes the real voice of Bernard Shaw heard. A plain, thick Englishman, he fulminates and blusters vengefully, but when the chips go down he is

overcome with simple horror.

In his empirical English way, he needs to see what a burning at the stake means; but having seen it, his revulsion is absolute.

A real vegetarian's argument, that amid all the thrust and counter-thrust which Shaw mimics with such relish, this is where the stopper comes, the final NO. Shaw was not a cynic.

## Off The Wall Trading places

West End audiences might be small and sluggish in the summer heat but there is a brisk trade in West End theatres. At last something is to be done with the derelict Lyceum, acquired by the Apollo Group, best known for its string of provincial theatres, while next week Stoll-Moss, the leading London theatre owner, finally gets rid of its rogue elephant, the Royalty, which it is selling to the London School of Economics for around £1m.

The Lyceum is obviously the trump card in the poker game being played out between the Royal Opera House, Covent Garden (due to close for refurbishment in 1997); ENO at the Coliseum, (due to close for refurbishment, probably in 1998); a National Dance House, which now looks like being based in a restored building rather than a new structure; the Arts Council; and the various other guardians of pots of Lottery money.

No deals have yet been concluded. The Royal Opera and the Royal Ballet might still temporarily decamp 100 yards down the road to the Theatre Royal Drury Lane, if *Miss Saigon* ever closes and the Arts Council finds the money for the rent.

Both companies might spend the 2½-year interregnum touring. But if the Lyceum, with its splendid theatrical history, is restored, at a cost of £10m plus, with the potential to take leading opera and dance companies, it must play a role, if only as somewhere to transfer *Miss Saigon*, or its successor.

It all comes down to money, which these days means the Lottery. The Arts Council's Lottery Fund might look with favour on the Lyceum being gilded back to life because it could be the perfect eventual home for a National Dance House, with the dancers moving in, (perhaps with English National Ballet as resident company) after the opera singers and Covent Garden dancers have returned to their restored homes. Lord Gower, chairman of the Arts Council, is keen to see the project succeed and he carries weight.

By chance, the Royalty cannot be left out of these speculations. It must remain a provider of entertainment and the LSE, which will use it for lectures and conferences during the day, seeks a tenant for the evenings. There are two contenders for the post, and both want to present dance. Sadler's Wells is keen to take it on, as is the UK Foundation for Dance, a new company set up by ex-Sadler's Wells directors. It sees the 1,000-seat theatre as the perfect venue for middle-scale dance companies. Nalaga had always been a minor backer of the arts but had to overcome opposition from the more philistine members of the new union. On the surface the play is a sexual comedy but it also shows that "anarchists are the unwitting tools of the capitalist society" so Union members can safely attend.

In the cast is Susan Penhaligon who might see her own first play produced during the Edinburgh Festival. It could surprise her, she wrote it after being hypnotised by her psychiatrist husband.

on stage as a Southern family gathers to battle over granddaddy's will, they are nothing to the drama involved in mounting the production. If it is a hit *900 Oneonta* could transform West End theatre.

For this is the first play put on by the West End Producers Alliance, a group of 17 mainly young, or new, producers who want to make the West End financially accessible to everybody – from angels to audiences. Seats are cheap compared to average West End prices.

This attempt to make theatre-going affordable is only possible because the owner of the Old Vic, David Mirvish, has waived his rent for the first 15 weeks of the run at a personal cost of £50,000 and everyone else involved has accepted minimal rewards.

Producer Frank Gero is not mad enough to try and cut Equity fixed salaries but the American star, Jon Cryer, has accepted £400 a week instead of the thousands he might have anticipated from a London run, and David Beird is receiving a £1 advance as against the usual £5,000 for the writer. Everyone, from director to stage crew, has gone along with the cost-cutting, which

has enabled *900 Oneonta* to arrive at the Old Vic with up-front production expenses of £90,000, as against a more typical £160,000, and weekly running costs of just £17,000, two thirds of the usual bill.

If 60 per cent of the 1,067 seats are sold for each performance the up-front costs will have been recouped in 11 weeks and then everyone can expect a modest pay rise. And if *900 Oneonta* is a hit then those theatre owners who are dragging their feet at the idea might see this as the salvation of a West End theatre, currently wilting in the heat. Whatever the outcome the West End Producers Alliance has its next play primed for September.

□ □ □

Unison, the 1993 merger of the three unions, Nalga, Cohese, and Nupe, is using the arts to make itself better known. It is putting £15,000 behind the British premiere of Dario Fo's latest play *Abducting Diana* which opens during the Edinburgh Festival at the Pleasance on August 13.

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Antony Thorncroft

## Theatre/Antony Thorncroft

# Plot-boiling 900 Oneonta

The plays of Tennessee Williams are like bowls of exotic tropical fruit captured on the turn from bloated ripeness to nascent rotteness.

David Beird, in this impressive pastiche of the master of Deep South Gothic, is not only capturing the fruit in galloping decay. He is totally over the top, leaving audiences suspended in that strange hinterland between the heart-grip of melodrama and the hysteria of farce.

This is the day that Dandy, the oil-rich tycoon who rules his Louisiana brood like an oriental despot, knows he is to die.

He has done with hypocrisies and wants his family to finally face up to the home truths – the usual mélange of incest, abortions, drugs and drink and low sperm counts. As the skeletons tumble out of the capacious closet so do the yawns of recognition.

But Beird, who also directs, has an ace up his sleeve.

Dandy is to make a new will, leaving everything to ne'er do well grandson Tiger, who by whoring, shooting and boozing his way through town at least shows signs of having enough spunk in him to keep the dynasty going.

If Tiger does not come to his senses enough to accept the fortune, and responsibility for the business, within an hour then the money goes to the Church, represented by Father Bourrette (Kieron Jecchens) who has popped in to supervise the last rites.

This makes for an exciting second half, much stronger than the first in every way.

At the opening Leland Crooke as Dandy conveys the approach of hell-fire in a screeching, stressful, performance which wearied me as much as it wearied him.

After the interval, as the family's future falls on Tiger, so does the burden of carrying the whole play.

Ben Daniels, all blond mane and bare-chested glory, copes magnificently as he toys with wimpy brother Gito (Jon Cryer, a mess of nervous body wringing and manic self-justification); bombed-out sister Burning Jewel (Elli Garnett); and whore Palace (a tough,

tart, performance from Sophie Okonedo).

Having got his plot boiling away like a bowl of jambalaya Beird has problems coming to a conclusion. There are any number of false curtains, and in the end he goes for the Big One, with Dandy's family assuming a metaphor for the United States, which has squandered its inheritance in dissipation, and should hand over to a new generation – a generation with its blood flowing fresh and uncorrupted from a cultural melting pot.

Some of the acting is hit and miss, perhaps because the format of the play favours caricatures – the alcoholic wife; the

faithful black servant.

But when Beird lets himself go in a rich, sensual, erotic, often witty, language, especially in the speeches of Tiger and Dandy, then the play transcends its hotchpotch origins and becomes a powerful, poetic force.

Tim Shortall has designed a convincingly realistic set, all slats, rich vegetation and whirling fan, with enough thunder and lightning to suggest that God is taking a close interest in his potential inheritance.

This is the first work of the West End Producers Alliance, which hopes to bring a new audience to the theatre by cutting seat prices.

It is an excellent introduction, an out-of-control roller-coaster, but with enough gripping images to show just how real the unreality of the stage can be.



Exotic glories: 900 Oneonta

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The Old Vic.

## A popular and a classic treat

Alastair Macaulay on Harper and Cook

A tremendous week in London for lovers of singing. At the Proms on Tuesday, Heather Harper, the greatest British singer since Kathleen Ferrier, returned from retirement and after serious illness to sing Berg's "Atendore Lied" with the calm vehemence and commanding phrasing that have been her hallmarks.

And at Sadler's Wells Barbara Cook, the greatest singer in popular music today, also returning after illness, made a long-awaited return to Britain. The differences between the two are obvious. Harper is collected, high-art, and her 20th-century specialities include Strauss, Britten, Tippett. Cook is bubbly, populist, and her repertoire goes from Kern and Gershwin to Sondheim and Amanda McBroom. It is as absurd to imagine Cook in Tippett's "The Ice Break" as to imagine Harper recording "The Disney Album".

Now, however, I hear some resemblances between them.

These resemblances are not fortuitous, for they simply show that both Harper and Cook were trained along truest classical lines.

In both cases, it is less voice than musicality that makes them so remarkable; in both cases, the voice has been nourished by bringing together the peerly upper register with the biting chest notes into one equalised range.

In both one hears a vocal style that is based, on the one hand, on clean entry into notes and, on the other, sculptural portamento connections between notes. And, while both offer the clear and natural diction, they attend first and foremost to musical phrasing. There is no exaggerated emphasis on special words. The words seem simply – inevitably, it sounds to us – to find their inevitable place amid the shape designed for them by the music.

Like all great artists, Cook is

made up of contrasts. She has vulnerability within power, grandeur within intimacy, brio within calm. She often reaches phrases of burning intensity, but presents herself with non-nonsense happiness. She comes from an old and conventional showbiz tradition, but she takes pains to emphasise the work of women composers (Amanda McBroom) and women lyricists (Dorothy Fields). She is proud to deliver new or recent songs, but is equally proud of creating roles in such classic musicals as Bernstein's *Candide* and *She Loves Me*.

Cook is the only popular singer active today who should be taken seriously by lovers of classical music. She is not a crossover artist – though she tells of singing *Madam Butterfly*'s entrance music (with the high D flat option) as an audition piece for Leonard Bernstein – and yet most of today's opera singers could learn

plenty from her. Every phrase is packed with interest, and every song is shaped from first to last. Has any singer since Callas matched Cook's sense of musical architecture? I doubt it.

It begins with the simple eloquence with which she phrases a line of recitative; you hear her plant lines such as "There goes my young intended. The thing is ended. Regrets are vain" with such simplicity, but with such underlying grasp of rhythm that they brand themselves into your mind.

Then, when it comes to the song itself, she shows the point of each note to the phrase and of each phrase to the whole. The endless variety with which she combines legato and staccato, or distinguishes between staccato and marcato, is exceptionally rare.

Anyone who knows her singing will know how thrillingly she can build even some innocent little songs to powerful



Barbara Cook at Sadler's Wells: long-awaited return after illness

climaxes, but I was amazed this time to hear her, amid a hauntingly plaintive account of Irving Berlin's "Change Partners and Dance With Me", start rising towards one such climax – only to pause, and

then to taper the song away into the tenderest diminuendo close.

As for "Losing My Mind", she places its numerous little four-note phrases into a structure so firm that she might be

singing Fauré, not Sondheim.

This is a highbrow way to talk about someone whose repertoire includes "Sweet Georgia Brown" and John Williams's "Can You Hear My Mind?" Cook herself is very simple.

"They tell me I belong to the golden age of musical comedy," she remarked on opening night. "I wish they'd told me that then – I'd have had more fun." And very sunny. She can take old chestnuts such as "You've Got to Accentuate the Positive" and make them live again, as if from some core of true faith.

Several of her songs – such as "Better with a Band" and "Sing a Song with Me" – are about singing itself; and others are about dancing. Cook is a stout woman, and yet she is easy with her own body.

She half-dances through some numbers, and there are moments when her jazz sense is such that she slaps all her weight, with the best, on to one foot, and your kinesthetic sense half-expects her to burst into a tap routine.

But she sings a quiet song like "Why Did I Choose You?" from complete inner stillness, only raising her arms slowly as she reaches the conclusion, in a gesture so powerful that it embraces the theatre.

She sings "Why Did I Choose You?" – as she always sings her first encore – without any

amplification. You realise all the more clearly then just how steady her breathing, how expensive her phrasing.

Earlier on, there were times when the 16-piece band sometimes is too loud for her (though the way she can then cleave through an orchestral *tutti* with one of her own is always a major thrill). I think she has lost a little of her upper register, but am more struck than ever by the way that both chest and facial resonances are combined in her vocal tone.

At Sadler's Wells until July 31.

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## ARTS

# In praise of a joyful return to the basics

Antony Thorncroft writes on a controversial artist with the exceptional talent of wit

**H**elen Chadwick is exceptional. Her uniqueness does not come from "Piss Sculptures", the ice artefacts that she moulded by urinating in the Canadian snow, nor from "Cacao", a monumental fountain of heaving, shimmering, bubbling chocolate, a work as stridently sexual as it is coprophilic as it is disturbing, which confronts the ears and noses of visitors to *Effluvia*, her new exhibition at the Serpentine Gallery. Helen Chadwick is exceptional because she is witty.

Most contemporary artists have a miserable vision. Their creations either dwell on the seamy underbelly of life or assume a detached, geometrical, aversion to reality. Chadwick rejoices in the basics, using her bodily fluids to give a very personal application to her work and getting great pleasure from the commonplace. One of her compositions at the Serpentine consists of a brilliantly decorative balancing of green marmalade circling lustrous pink Windolene - it has been bought by the Prudential to hang in its staff canteen.

The "Piss Flowers", an array of 12 etched snow scenes, somehow become more exciting when you realise that Chadwick and her male partner strained hard in their creation from start to finish. By happy chance these crepuscular forms also project a sexual image, for, as the catalogue to the show points out,

the cavities formed by the urine, "strong and hot from the woman, diffuse and cooler from the man" create shapes that are inversions of human genitalia, penile from the woman, labial from the man. These are the incidental happenings that, to its supporters, suggest that God smiles on contemporary art.

Another serendipitous pleasure from *Effluvia* is the catalogue, which wallows in ponderous, philosophical, gobbledygook to describe what are just wildly imaginative ideas, clearly and prettily crafted, and immediately accessible.

If the results are unfashionably decorative, even uplifting in their primary brightness, Chadwick retains the knack of the avant-garde to shock: Cadbury was quite happy to supply the chocolate for the volcanic heavings of "Cacao" but shied away from a promotional credit. Chadwick is a serious artist but she does not take her creations too seriously. You can buy "Cacao", but she has not yet priced it. Make her an offer - she would settle for a smart BMW.

The Chadwick show will pack them in at the Serpentine, with attendances that will rival those in the spring of Damien Hirst, who brought in 50,000 ("half the annual attendance at the Courtauld"), points out Julia Peyton-Jones, director of the Serpentine and passionate advocate of the new.

It should certainly secure Chadwick a nomination for the 1995 Turner Prize, an honour which strangely eluded Hirst when the 1994 short list was announced this week.

One selector suggested that Hirst's work had failed to progress - seen one mutilated animal, seen them all. Perhaps a mere ability to shock is finally rumbling as a precarious base on which to build a career as an international artist.

Whatever the reason the four 1994 finalists - sculptor Antony Gormley, painter Peter Doig (the first worker in paint to be nominated for five years), photographer Willie Doherty, and sculptor-installationist Shirazeh Houshiary - are unexceptional to the point of tedium.

It seems the jury wanted to promote artists who had not yet made the critical breakthrough, who needed a helping hand. But there is no glimmer of a 21st-century Master among this quartet.

There might just be at the Business Design Centre in Islington, where graduates from many of the nation's art schools are showing, and selling, their creations. This London showcase is an excellent idea, now firmly established.

There are still some London postgraduate schools that hold aloof, but more fool them. Any-one wanting to see where their taxes go, or who wants to buy the next Hockney for £50, should rush along. Of course, these days the brightest art students are in love with the market. There is well-produced promotional literature, with high prices.

I enjoyed the show immensely. It takes hours to work the room. Virtually every object - and there are hundreds more objects than paintings - needs deciphering, apart from those that are blatantly sexual or provocatively daring, like the circle of kneeling white figures in which heads are totally lost inside bottoms.

In many cases the visitor will miss the point - the large installation piece of vast metre-long knives, cauldrons, and a soundtrack of organic heavy breathing suggested a human about to be turned into dinner, but who knows? Well, perhaps the artist, Lottie Radford, does.

Students still seem to be hooked on the ideas of Duchamp, now about a century old, and assorted objects are trailed all over the stands. Art in the traditional sense of drawing, even painting, seems to have been left far behind.

Anyone seeking the middle ground between the banal and the artist, who wants to discover where contemporary art for the private collector stands, should pop into Angela Flowers, Silver Place, Soho, gallery during the next week.

She has just completed an imaginative fortnight at which a lot to answer for, but, really, the kids are all right.

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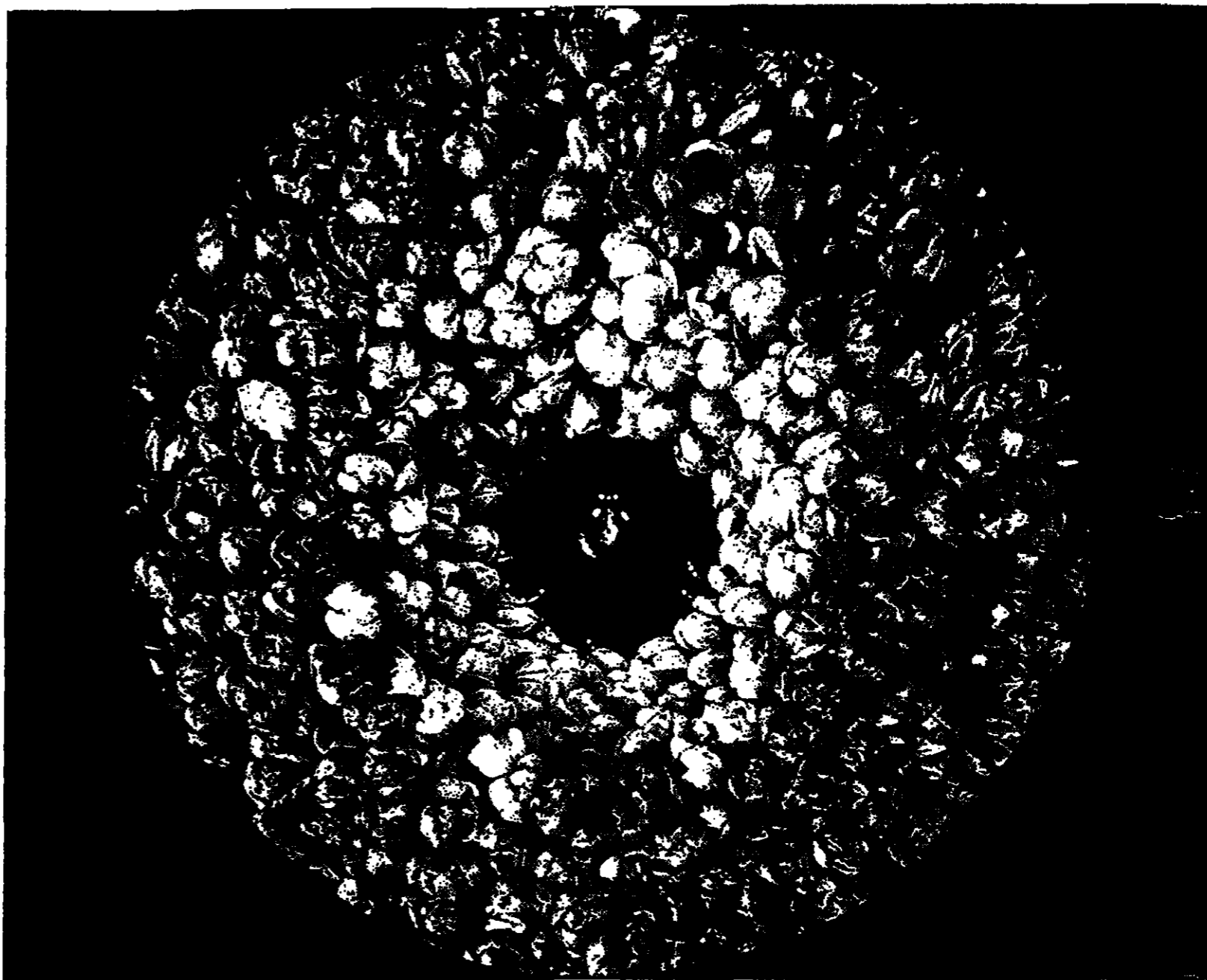
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Helen Chadwick's 'Wreath to Pleasure no.1' in the *Effluvia* exhibition: the artist retains the knack of the avant-garde to shock

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Chicago seems a natural choice as host city to the only regularly scheduled festival devoted solely to international theatre in the US. Its bustling theatre community provides an ample assortment of stages, and its audiences are eager for new experience.

The eight-year-old International Theatre Festival of Chicago is still finding its legs. There was a sense of caution this year but the greatest risk - commissioning an outdoor theatrical extravaganza from the punky Dutch ensemble Dogtroep - produced the most festive results.

In its evocative venue, a tented amphitheatre on Navy Pier on Lake Michigan, Dogtroep created *Camel Cossip III*, a work of epic whimsy that is fresher and more entertaining than that of comparable new-age circuses - neither as twee as Cirque du Soleil nor as gratuitously violent as La Fura dels Baus nor as

## Epic whimsy gives festival flair

Karen Fricker finds the offerings at Chicago's theatre festival a mix of the bizarre and boring

archly self-conscious as Archais.

Not much plot here, just a series of images and vignettes: a lumpy, hard-batted fellow unexpectedly disgorges a shapely woman from his covers, who proceeds to destroy his shanty house and build a tower from the wreckage. A dozen white-wigged harpies dangle over the stage in brightly painted cabinets, then troll the audience sporting bizarre head-dresses, which amplify their breathing. They then joride through the audience on old-fashioned bicycles, a combination rock and oom-pah-pah band serenading in the background.

Most astoundingly, throughout the proceedings it rains on stage, a gushing downpour that makes the tempest in *An Inspector Calls* look like an April shower. How do they do it? That is just the point: *Camel Cossip III* is an exercise in wonder, an enormous and baffling jumpstart to the imagination.

Providing the festival's mainstream bookends were the Gate Theatre of Dublin's well-travelled production of *Juno and the Paycock* (which I left too early to see) and Alan Ayckbourn's latest farce, *Communicating Doors*, fresh from its Scarborough premiere.

In theory, it is an enlightened idea to include the work of England's contemporary comic master in its programme (the Royal Shakespeare Company, the Renaissance Theatre Company and the National Theatre have been featured in previous festivals), but a shame that *Communicating Doors* finds Ayckbourn so far off form.

A bedroom farce cum murder mystery cum *Back to the Future* type time-travel tale, *Communicating Doors* links three women from different decades in a plan to save themselves from a sleazy man - husband to two of the women - who plans to kill them all.

The action takes place in a very posh hotel room whose inside door serves as a time portal.

Though the first act is at once silly and confusing, the play transforms into something richer and more satisfying in the second act, as the women's manipulations of time turn a growing bond between two of them into a blood knot. This uneven muddle is made worse by a sluggish production directed by the playwright himself.

The Attis Theatre Company, a young Greek group, insisted that their two productions not be translated into English so as not to detract from the viewing experience. This ended up, in the case of their production of Aeschylus' *The*

*Persians*, to be self-defeating. Virtually actionless, the play consists of long descriptive speeches, as the Persians, waiting for news of a battle between their troops and the Greeks, learn that their nation has been brutally defeated, and mourn.

There is an interesting dialogue between classic and contemporary time periods at play in Theodoros Terzopoulos' production. The translation, we are told in the programme, mixes ancient and modern Greek; the performers' black gowns make reference to ancient and current styles; and at one point the performers brandish photographs, perhaps of Gulf War victims but we

never find out. Though the company's work reflects a great seriousness and physical rigour, without sufficient interpretation of what the words actually mean, the audience is slighted of a full theatrical experience.

Attis' second production, a contemporary play called *The Kanan* by Vassilis Vassilikavayliou, was reportedly more visual and active.

Audiences and critics alike were impressed with the young Mexican ensemble Taller del Sokano (Basement Workshop), which presented two works in Spanish with English translation. Robert Lepage's *Needles and Opium* was another favourite.

The festival stunted on American offerings - the only entry being two funny but theatrically slight one-woman shows by the Latina lesbian comedienne Marga Gomez - but local productions provided a more-than-ample unofficial fringe to make up for this.

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## Striking Chagall

Richard Fairman visits Schleswig-Holstein

The most striking image at this year's Schleswig-Holstein festival comes courtesy of Chagall. A mural displays a colourful world populated by strangely dislocated figures, including dancers performing the physically impossible hand-stands, a one-legged conductor and a violinist without a head.

This is one of a group

## TELEVISION

## SATURDAY

## BBC1

7.25 News. 7.30 Fairs the Cat. 7.45 Joe 90. 8.10 The Adventure of the Empty House. 8.30 SHAW! Kats. 9.00 Parallel 8. 10.32 Weather.

10.55 Grandstand. Introduced by Sue Barker. 11.00 Cricket: First Test. England v South Africa. Coverage of the third day's play from Lord's.

1.00 News. 1.05 Motor Racing: The latest rounds of the British Touring Car Championship. 1.35 Cricket. 1.55 Racing from Ascot. The 2.00 Kew Gardens. 2.30 Cricket. 3.40 Motorcycling: Highlights of the British Sidecar Grand Prix from Donington Park. 4.00 Cricket. 4.55 News and Sport. Times may vary.

5.10 News and Weather. 5.20 Regional News and Sport. 5.25 Stay Tuned.

5.50 A Word in Your Ear. New series. Kris Alben, Dido Davies, Carol Thatcher and Frances Edmonds take part in the verbal communication game.

6.20 Pete Win Prizes. Pete including a football and a cash prize for their owners. With Denny Baker.

7.00 Film: The Black Hole. Disney SF adventure about space explorers rescued by a mad scientist with an army of deadly robots. Starring Michael Sarrazin (1979).

8.35 News and Sport. Weather. 8.55 One Foot in the Grave. Canterbury comedian Victor Mowbray returns from a sabbatical holiday, and bequeathed wife Margaret is led into temptation. Comedy, with Richard Wilson.

9.25 Police Rescue. New series. A teenager seriously injured after crashing a stolen plane runs away from police. Return of the Australian drama, starring Gary Sweet.

10.10 Film: The Thin Red Line. SF thriller, starring Arnold Schwarzenegger as an indestructible android sent to the 20th century on a murderous mission. With Linda Hamilton (1984).

11.55 Film: Moving. Richard Pryor plays a transit engineer whose carefully laid plans go horribly wrong when he and his family fly to New York. Zany comedy, with Beverly Todd (1989).

1.20 Weather. 1.25 Close.

## BBC2

6.00 Open University. 12.15 Film: Island in the Sun. Romantic melodrama charting the effects of an interracial love affair on an island community in the West Indies. James Mason and Joan Collins star (1957).

2.10 Gamamoke. A reformed outlaw once again resorts to crime after struggling for years to make an honest living as a farmer.

3.00 Film: Pride and Prejudice. Jane Austen's classic about the mother of a Victorian family intent on finding husbands for her five daughters. Laurence Olivier and Greer Garson star (1940).

4.55 Cricket: First Test. England v South Africa. Coverage of the third day's play from Lord's. Subsequent programmes may run late.

6.30 Open University Showcase. New series. Compilation of the series' best programmes which have influenced people worldwide.

7.00 News and Sport. Weather. 7.15 Bookmark. Special: Aldous Huxley. Profile of the renowned author of the 1930s satirical novel Brave New World, who later became an idol of the 1960s Californian counter-culture as a result of his controversial advocacy of psychedelic drugs.

8.05 The Statue of Liberty. Acclaimed film-maker Ken Burns traces the history of the famous monument, from its construction in France to the 1983 unveiling ceremony in New York.

9.05 Sealife. 9.30 Screen Two: The Clothes in the Wardrobe. An antic and rebellious woman resolves to save her star-struck friend's daughter from a loveless marriage. Comedy drama, starring Jeanne Moreau and Julie Walters.

10.50 Cricket: First Test. England v South Africa. Coverage of the third day's play from Lord's.

11.30 Woodstock Diary. Day two of the 1969 music festival.

12.30 Film: Repo Man. Alex Cox's cult SF drama, starring Emilio Estevez (1984).

2.10 Close.

## LWT

6.00 GMTV. 6.35 Olympic 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.

1.00 ITN News; Weather. 1.05 London Today; Weather. 1.10 International Athletics. Jim Rossiter introduces Highlights of last night's British Games from Oslo.

1.40 Movies, Games and Videos. Review of The First Wives, starring John Goodman and Elizabeth Perkins.

2.15 WCN Worldwide Wrestling. 2.55 Life Goes On. 3.50 Burke's Law. Anne investigates the death of a university professor whose body is found in the boot of a car.

4.45 ITN News; Weather. 5.00 London Today; Weather. 5.10 Time Trac. New series. Bounty hunter from the future Darien Lam-bert tries to find two jewel thieves. SF action, starting David McIlwain.

6.00 Scavenger. New series. Adventure game, with John Leslie leading four members of the public into a futuristic environment designed to test their mental and physical abilities to the limit.

7.00 Celebrity Squares. Contestants compete for cash and cars with the help of stunts and figures including Vic Mitchell, Frank Carson, Gordon Kaye and Frank Bruno. Bob Monkhouse hosts.

7.30 Film: Columbo: Crime Wave. Detective Hercule Poirot solves a case of a man's murder in his business partner's magazine (TVM 1989).

8.10 ITN News; Weather. 8.20 London Today; Weather. 8.35 Film: Ali. A cargo spacecraft inadvertently picks up a malevolent life-form which proceeds to slaughter the crew members. Classic SF thriller, starring Gregory Weaver (1979).

11.35 Film: CAT Squad: Python Wolf. Action sequel in which the counter-terror team takes on a modern-day pirate planning to blow up a port in South Africa. Steve James stars (TVM 1988).

1.20 Today: ITN News Headlines. 2.15 Get Stuffed. 2.30 Raw '84: ITN News Headlines. 3.25 Get Stuffed. 3.50 The Big E. 4.20 BPM. 4.50 Hot Wheels.

## CHANNEL4

5.00 4-Tel on View. 6.35 Early Morning. 10.00 Trans World Sport. 11.00 Q&A Games. 12.00 The Big 4. 12.30 pm A Girl's Fate/Ladykiller (English subtitles).

12.55 Film: Libel. A former POW baronet is accused of being an impostor, and finds it harder proving his identity than he thought. Courtroom drama, starring Dirk Bogarde (1959).

2.45 Film: The Spanish Gardener. Drama about a diplomat who grows jealous of his son's friendship with his gardener. Dirk Bogarde, Michael Hordern and Jon Whiteley star (1955).

4.30 Evolution. 4.35 Uncle Elephant. 5.05 Brookside. News Summary. 5.30 Opening Shot. Behind-the-scenes at Smash Hits, Britain's most successful teenage magazine. The programme focuses on a young journalist following an issue as it is taken from the planning stages to first production and distribution. Plus, interviews with and music by East 17 and World's Apart.

7.00 Branson: Across a Fiery Sky. Richard Branson and Per Lindstrand's attempt to fly 6,000 miles across the Pacific Ocean in the world's largest hot-air balloon.

8.05 Tour De France. Stage 18: Muzine to Lac Saint-Point. The penultimate stage is an undulating six-hour road race.

8.35 Film: Dial M for Murder. An ageing criminal champion plots to murder his wife for her inheritance, but his plans go disastrously wrong. Hitchcock thriller, starring Ray Milland (1948).

10.30 The Best Intentions. New series. Trilogy of semi-autobiographical films written by acclaimed Swedish director and theatre director Ingmar Bergman, beginning with his account of his parents' courtship and marriage. Starring Samuel Frier.

12.05 Late Licence. 12.15 Herman's Head. 12.50 Just for Laughs. 1.30 625 Live Suede. 1.55 Passengers. 2.50 Beasts and But-Head. 3.20 Packet of Threes. 4.00 Close.

## REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES: 12.30 Movies, Games and Videos. 1.05 Anglia News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Time Flyer. (TVM 1989) 3.30 Knight Rider. 6.00 Anglia News and Sport. 8.20 Anglia Weather. 11.35 Family Plot. (1978)

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Private View/Christian Tyler

# Heir to the sins of the fatherland

Last week he was in Paris with Chancellor Kohl to celebrate Bastille Day and watch Panzer tanks crawl down the Champs Elysées for the first time since the Nazi occupation of the French capital.

This week he was star speaker in London at the German embassy's 50th anniversary "commemoration" of the bomb plot against Hitler.

Manfred Rommel is much in demand these days. As mayor of Stuttgart he represents the prosperous liberal democracy of post-war Germany. As son of Field Marshal Erwin Rommel, the Desert Fox, he is a reminder that even the Nazi dictatorship had its decent face. As peacekeeper he has struck up a friendship with David, Viscount Montgomery, son of his father's conqueror at Alamein.

Manfred was 15 and at home with his father when two generals came from Hitler in October, 1944, to offer the field marshal the opportunity of committing suicide by poison.

The Desert Fox accepted but not because he was part of the bomb plot. Although he knew some of the conspirators, said his son, he never believed they would – or could – act. He took the poison because from the end of 1943 he had been telling Hitler the war was lost, and Hitler discovered Rommel was prepared to surrender to the Allies if they were victorious in France.

I asked his son if he felt absolved by his father's sacrifice.

"No, I don't want to say that because my father died by order of Hitler he's a good German and the others who did not die by order were bad Germans. That would be wrong. The people in general were not responsible. A simple German, what should he do? Or even a colonel or divisional commander? He was almost helpless."

He could resign his command, I said.

"Of course. On the other hand he had responsibility for his troops, for others."

What about your father?

"He lived at a time when it was very difficult for a German to

remain honest. Today, it's really difficult not to be honest."

Do you feel you should apologise for him?

"Yes, of course, I try to explain. I have to admit that in Germany we had anti-semitism and that Jews were expropriated, ill-treated, discriminated against. No doubt about that. If it was not accepted it was tolerated."

"And the Army said 'It's not our problem. It's up to the politicians.' And that was wrong of course. Of course I cannot deny that my father was fighting for Hitler and was also made field marshal by Hitler, not by Emperor William II. He also had a special political responsibility."

Are you ashamed of his attitude, or proud of him as a soldier?

*Manfred Rommel talks of war, Hitler, his father, and forgiveness*

"I'm proud of him as a person. Because I don't know what I would have done in his place. I would be ashamed of my father if I were absolutely certain that I in his place would have followed a better way."

"I see him in his time. He tried in Africa to be fair – as far as war can be fair. He never pursued any Jewish people in Africa and did not carry out orders from Hitler. He ignored, for example, an order to kill prisoners of the British Eighth Army who had been German citizens."

What about yourself? Do you feel at all ashamed that you were in the Hitler Youth and aspired to the SS?

"No, I don't feel ashamed I was in the Hitler Youth but I feel ashamed and surprised that there was so little concern in Germany when minorities were persecuted, and people did not feel solidarity but were attracted by propaganda and said 'It's none of our business.'"

"Many things they didn't know, but many things they did know. This is a lesson we have to learn

about dictatorship."

"And of course I feel ashamed that in the name of Germany millions of people were killed, that we went to war against Poland and Russia and so on."

Manfred Rommel ended the war as an anti-aircraft gunner, a 18-year-old *Luftwaffenoberheizer*. Now 65, he has been Christian Democrat mayor of Stuttgart, the capital of Baden-Württemberg, for 20 years. He said he has tried to work simultaneously for the integration and cultural protection of the quarter of the city's population who are non-nationals: Greeks, Yugoslavs and Turks.

"What we have to learn from the time of Hitler is to fight for the interests of minorities and see them as part of the whole society."

Do you feel a special responsibility because of Hitler's theories?

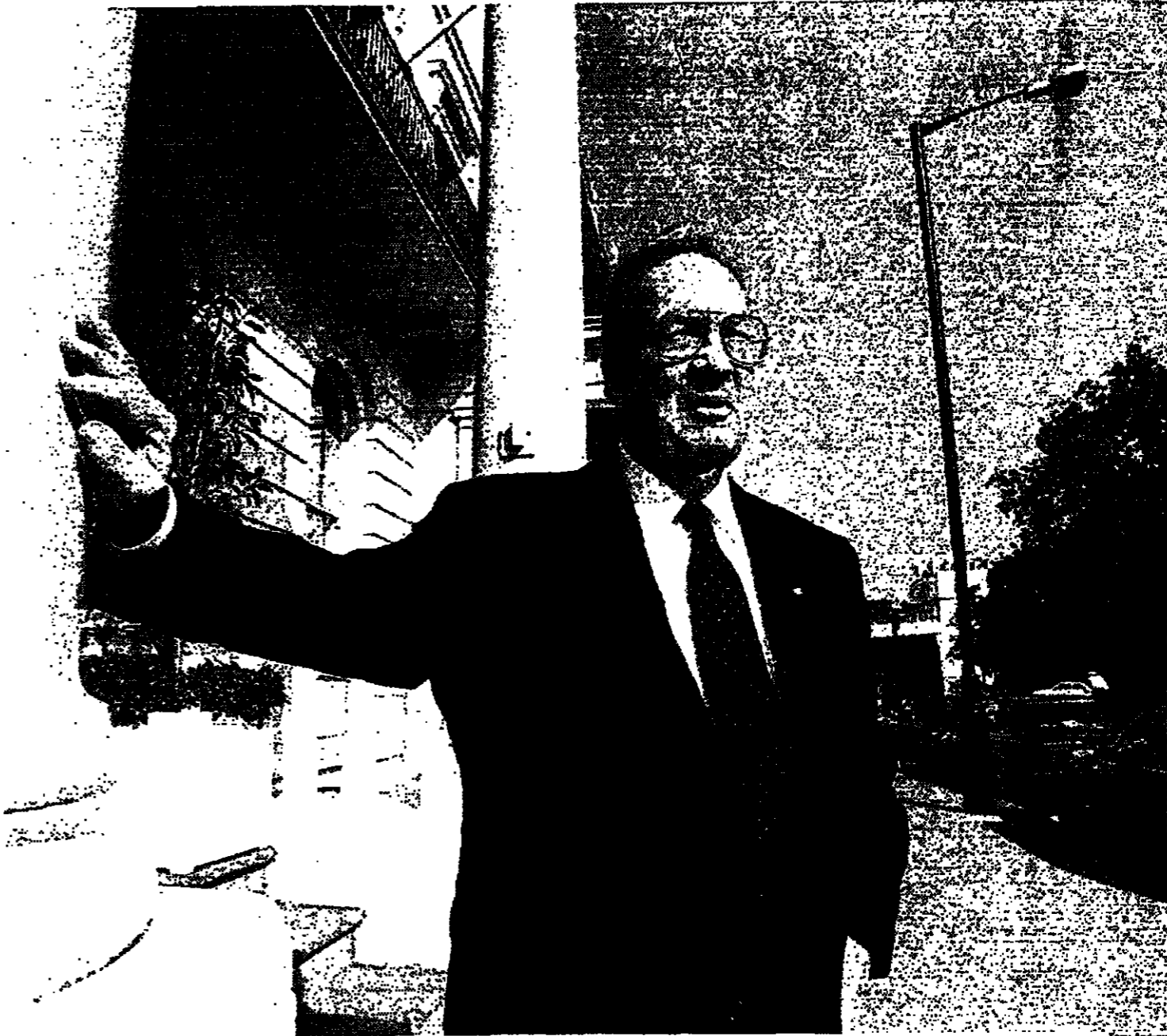
"Not because of Hitler. I am clean of Hitler. I feel a special responsibility because I think it is necessary for the future of Europe – especially for a continental country with many frontiers – to be open to minorities."

He also thinks it wrong to ignore – as Chancellor Kohl is being accused of doing – communist survivors of the German resistance movement. "In Stuttgart we have many communist families who have lost grandparents in the concentration camps. I think it would not be decent to exclude them. Their idea was not to support Stalin, but to fight Hitler."

Rommel has also been preaching the virtues of forgiveness to colleagues in former east Germany. There the victims of communist exploitation find his message hard to swallow, he said. "But without the tolerance shown by the German resistance to those who fought with Hitler, German society after the war would have exploded."

Do you see dangers in the neo-Nazis and in the resurgence of German nationalism? Will Germany become again dominant and assertive in Europe?

"No, I don't think so. There is no danger from the Nazi movement. We have some criminals who attack asylum-seekers, and so on. This is



true. But this is no danger for democracy. We will put them in prison. As for ambition, I don't think so. Germany is almost suffering from the fact that it has become bigger. It may want everything else, but not to be dominant in Europe."

Does not unity itself foster a kind of nationalism that could be dangerous one day?

"I don't think so. Nationalism is almost a little bit discriminated against because the elder generation is full of distrust."

"And we have a lot of problems. It is not easy to incorporate a former communist country in a market

economy and free democracy. The east saw us as providing dishwashers and red wine and fruit and holidays in Spain. But now they see us as we really are and they are very much disappointed by the lack of solidarity."

Your generation, I said, is old enough to remember the horrors but too young to have participated in them. Are you afraid that the younger generation will not learn the lessons?

"I would ask: what are the lessons? Some lessons are not learned. But never again will there be National Socialism or anything like

that in Germany. Never."

"What is dangerous is that many people don't see the values of democracy. They don't accept our kind of democracy or say it's not good enough for them. This is dangerous because we will have to face many economic and social problems if we produce more and more with less and less manpower. We need democracy also in critical times."

We have another year of anniversaries before the end of the war in Europe, I said. Will it be a relief when it's over?

"Yes, it will be a relief. We won't stop talking about National Social-

ism and the Third Reich because it's really important to draw the lesson from them. But I hope that there will be less talk about war."

Are you tired of the responsibility of being your father's son?

"No, I'm not tired. I'm not only my father's son. I have made a career in administration. In politics. Of course I always felt obliged to argue for my father."

"We have to face the future but the past is important to learn from. We cannot change it. But we can interpret it."

The bomb plot, Page IX



I am still trying to dream up a new world game. I have been at work on it for a fortnight, ever since Miss Lee, my executive assistant, declared that soccer was hideous – "just groups of hairy men rolling on the ground" – and that virtually all sports, especially those with balls, were fundamentally silly.

She had read that the man who founded Nike – she couldn't remember his name, but was sure he had a beard – had set himself the target of inventing a new game. The more I pondered, the firmer grew my belief that Miss Lee and this man were on to a good thing. Almost all the games we play are unbelievably silly.

Golf, for example, is one of the stupidest activities devised. You manufacture a ridiculously small

ball and dig an extremely small hole – in fact 18 tiny holes, separated by thousands of yards of bulldozed landscape – and then you build a clubhouse and sit back and watch as fat, smug people wearing lilac sweaters and enjoying the complacency of prosperous middle age waddle up and down your golf course, attempting to thrack this ball over a pile of displaced peasantry and a pyre of slaughtered wildlife, into this tiny hole.

They even keep score, and then repair to the clubhouse where they fill their throats with gin and talk about their incomes and how they're changing the Jag and isn't Bambi pitiful but it won't mean a

thing by the time of the general election because people aren't stupid and will still vote for Major who is starting to improve his act.

Study the sports pages of our weightiest organs and you will see that almost every type of game that could be invented has been invented. The Daily Telegraph this week even devoted space to the lacrosse World Cup, which is taking place in England and has attracted, thrillingly, a team of Troquois who are said to stand, together with four other teams, "between England and glory".

Miss Lee is right; we need a fresh approach.

One that attracts me is that old

## A cut-throat competition

Michael Thompson-Noel



sci-fi game, Assassin, in which a trained killer arrives in some megapopolis and hunts down a human quarry. The event is televised daily. Tension mounts unbearably. As the hunt progresses, you do rather wonder if the person the killer is seeking could be your head of department or even, conceivably, you.

The denouement is covered on the 6pm news. If the quarry escapes, he (or she) is awarded £5m. If not, he (or she) dies, right there in prime-time, garrotted, shall we say, or vapourised by laser-gun.

The victim could be quite ordinary, or someone extremely prominent, such as the micro-brained individual who permits Queen Elizabeth II to stage garden parties at Buckingham Palace in the middle of the working week.

This summer, my progress home from work in my six-year-old Rover has been brought to a halt time and time again by the tumult and scrummaging occasioned in the

Mall and along Constitution Hill by hordes of the socially mobile leaving Buck House at the end of one of these parties.

It happened again on Tuesday. Traffic in central London ground to a complete stop – there was already a heatwave raging – as a motley crowd of party-goers swept from Buckingham Palace and milled about outside. I turned off my engine and surveyed these appalling people.

A lot of them seemed to be from parts of Britain that we hoped we had heard the last of – places where ships or cars or other large metal objects used to be manufactured but which are now

reverting to primeval forest, thanks to the ministrations of the Tories, or have been razed and then manicured into back-to-back golf courses.

As well as people from the regions, the swell of party-goers in the Mall on Tuesday included numerous serving officers from our great armed forces – nuclear submarine captains, cavalry and artillery officers, leaders of pipe-bands from the Tower of London and a Lieutenant in charge of a detachment of sad-faced men shouldering armbushes.

I think Assassin would be a good game. But I am sure it can be improved on. By next week I hope to have thought of a better one. If I fail, I will stage a competition to see whether readers can suggest a new world game that would satisfy Miss Lee and the man who founded Nike. A prize will be offered – something really glamorous. Tune in next week.

Continued from Page I

their own notes, which are accepted in English supermarkets if not in corner shops. Yet these are not quite what Hayek envisaged: they are fully backed by cash deposits with the Bank of England. The Old Lady actually prints notes and her officials in Threadneedle Street solemnly put them in separate boxes marked Bank of Scotland and Royal Bank of Scotland.

In Hayek's banking market, in contrast, everyone would have to make judgments about individual banks' credit-worthiness. Since commercial banks' reserves would no longer be pooled centrally, they would have to have more liquid balance sheets and stand ready to convert notes and deposits into real assets, such as gold.

The strength of the case for "free banking", as the abolitionist cause is known, is the poor performance of the existing monetary authorities in delivering price and financial stability. The fact that the central bankers' powers are centralised means that they are open to manipulation by politicians for electoral ends, which introduces a bias towards inflation.

The human and financial resources that central banks pour into supervising commercial banks appear to deliver precious little. Despite all the effort, the English-speaking economies have experienced one banking crisis per economic cycle since the mid-1970s, running from the property crash in 1974, to the Third World debt disaster in 1982, to the property and junk bond fiasco of the late 1980s, and the simultaneous Savings and Loans debacle. Taxpayers have ended up footing a multi-billion dollar bill.

The free bankers argue, entirely plausibly, that the existence of the central bank as the backstop of the system is a cause of this instability. Commercial bankers are less risk-averse when they know there is a lender of last resort. Depositors impose no constraint on bankers' activities if their deposits are statu-

torily insured.

The snag with free banking is the assertion that it would lead to a more stable system. Anyone who believes that knows nothing of the behavioural pressures on bankers and will believe anything. History suggests that in periods of free banking, instability was endemic and that the social costs of banking panics were high.

This is because banking is a fundamentally unstable activity. Banks exist to satisfy demands that financial markets cannot meet. Indeed, when the Bank of England was founded, the organised markets were restricted to government debt and the paper of a few chartered companies. Because bank loans are not quoted, they are difficult to value and to turn into cash. Moreover, bankers inevitably have less information about customers than the customers themselves.

Yet the banks' deposits are for fixed amounts and can be withdrawn on a first-come-first-served basis. Depositors are also short of detailed information about the people to whom they have entrusted their money. It thus takes only a niggling doubt on the part of depositors about adverse changes in the value of a bank's assets to spark off a run.

It follows that banks are different from ordinary companies, and widespread bank failures can lead to a vicious spiral of default and falling prices, as in the US in the 1930s, when a third of all banks collapsed and the Federal Reserve failed to prevent a savage deflation. So the risks in any experiment in free banking are high.

There must be a possibility that in the first free banking panic money would fly to the biggest and safest bank, which in the UK would probably end up being called the Bank of England, if it was not the Bank of England already. In other words, we might find ourselves

going through the painful process of rediscovering the convenience of central banking, while being occasionally rebuffed in shops and pubs over our choice of notes.

This does not sound practical. Bigger and cruder threats to the central bankers' status probably come from elsewhere. For a start, the bond markets' power and prestige are in the ascendancy. The flavour is well conveyed in *The Agenda*, Bob Woodward's new book on the Clinton administration.



The sleuth of Watergate and the Washington Post writes, in a reference to Democratic political consultant James Carville: "That day the 30-year bond rate dropped another 11 per cent. Carville was beginning to understand real power. He told the *Wall Street Journal*: 'I used to think if there was reincarnation, I wanted to come back as the president or the pope or a 400 baseball hitter. But now I want to come back as the bond market. You can intimidate everybody.'"

The bond market is certainly more intimidating than Alan Greenspan of the US Fed. In the face of quickening economic recovery and increasing inflationary potential, bond yields started to rise as early

as last October, while the Fed waited until this February before tightening. And in Europe bond yields have risen to levels that impose a swingeing penalty on countries such as Spain and Italy, where budget deficits and the outstanding stock of government debt are deemed unduly large.

Because long-term interest rates have a disproportionate influence on economic activity in continental Europe, bond markets may even nip economic recovery there in the bud. They have already put a damper on the British housing market by forcing increases in the fixed rates of interest offered to borrowers by building societies and banks.

In the new liberalised global market place, the central bankers' task is thus double-edged. They must not only whether economies are overheating, with inflationary consequences, but whether bond markets are overshooting to the point of threatening serious deflation. Perhaps the bond market over-reaction is the late 20th century equivalent of a free banking panic.

In the smaller and more open economies, however, the central bankers' room for manoeuvre is somewhat curtailed. Sovereignty may still have a strong national dimension for the Americans, the Germans and the Japanese, but for most others – pace Britain's Eurosceptics – it is overshadowed, in the realm of monetary affairs, by the actions of the Big Three and the bond markets.

All of which brings us to what, for the Bank of England, could render any future anniversary a nugatory affair: European economic and monetary union. This would deliver to the Old Lady a spurious form of independence from the British government, while the remaining ability to influence monetary affairs was transferred to a European central bank – rape, in fact, by any other name, since the European

bank's decisions will be made on the basis of Europe-wide economic conditions, without much regard for domestic economic shocks.

The good news is that the proposed European bank, unlike the Bank of England, is not being set up to finance wars. The bad news is that the relevant protocol of the Maastricht Treaty gives the new European central banking system a greater degree of independence than any other central bank, while offering less accountability to the European parliament than that demanded of any other central bank. Even the notoriously independent Bundesbank is required to account more seriously to the German parliament.

Such a transfer of power to foreign hands would not be without precedent in Britain. After all, England's disaffection with James II and his alien religion prompted the English to swap their flawed sovereignty for William of Orange. Yet the constitution of the proposed European central bank – pace the Euro-enthusiasts – is a recipe to make the bond markets look tame. At least William of Orange deigned to cross the Channel and submitted his spending plans to parliament.

Admittedly, Kenneth Clarke, the UK chancellor, argues that monetary union is not on the agenda. James no doubt felt a similar insouciance on the eve of his premature ejection from the throne. But it is hard to believe that a hard core of European countries will not move towards monetary union. Will the British establishment have the nerve to stay out? Will the Old Lady end up running a sub-post office in the new European banking system?

This is no place to re-run the Maastricht debate. But for those who, like the 18th century pamphleteer, wish to air *Some Considerations against the Continuance of the Bank of England*, history has a lesson. If nothing else, she is a durable old bird. Do not write off the quartercentenary yet.

An FT Bank of England survey will be published on July 27

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